

SCOMM

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ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
THE ALASKA COMMERCIAL FISHERMEN'S FUND

Overview:

- Established in 1951, it is a pre-statehood "dedicated fund" allowed to continue by Article IX of the Alaska Constitution. That status somewhat constrains the Legislature's freedom to adjust its funding formula.
- Funded (under AS 23.35.060) by 39 percent of all money derived by the state from commercial fishing licenses and limited entry permits up to a cap of \$50 per year from each license holder. Totaled \$981,769.00 in 2006.
- Administered by the Alaska Department of Labor and Workforce Development with the Department of Revenue as custodian of funds. Balance is invested in the General Fund and Other Non-Segregated Investments [GeFONSI] account by the Treasury Division. (The Fishermen's Fund does not receive the earnings on its investments. They are paid into the General Fund and each year up to 50 percent of earnings may be appropriated under AS 23.35.060(b) for statewide marine safety training and education programs.)
- Located in the Workers' Compensation Division's offices at 1111 W. 8th St., Suite 307, Juneau, Alaska.
- Overseen by the Fishermen's Fund Advisory and Appeals Council. The Council is comprised of five members appointed by the Governor (to five-year terms) and chaired by the Commissioner of Labor and Workforce Development or a designee. Under AS 23.35.020 the state is divided into five geographical districts and one member is appointed from each.
- Staffed for day-to-day activities by two full-time Technicians and an Administrator who splits time managing both the Fishermen's Fund and the Second Injury Fund. The Division's Administrative Manager and Director also provide assistance to the Fund.

Benefits and Procedures for Payment:

- Benefits consist of health care costs for injuries and "occupational" diseases that are "directly connected with" commercial fishing activities ashore or in Alaskan waters. Initially, up to \$2,500 may be paid for health care, related transportation expenses, and prescription medications. Initial duration of benefits is one year. Duration and amount of benefits may be extended by the Council for "compelling reasons." In authorizing payments the department and particularly the Council are required to protect the Fund's fiscal integrity.
- No payment for costs covered by public or private insurance although costs are reimbursed to state or federally recognized needs-based assistance programs. The Fishermen's Fund is a "payer of last resort."
- Claims forms are furnished for seeking benefits. Qualifying claims within duration and amount limitations are authorized by staff. Requests for extensions are submitted to the Council for their consideration and action. The Council also hears appeals of claims denied by staff, and appeals from Council actions can be made to the Commissioner.

ALASKA ECONOMIC

TRENDS

OCTOBER 2006



Local Government

Alaska's largest employer

WHAT'S INSIDE

Employment Scene

Job count unchanged in August



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

The Fishermen's, Second Injury and Benefits Guaranty funds

Ask anyone on the street to name a statewide fund providing benefits to Alaskans and the likely answer will be the Permanent Fund. By paying state residents an annual dividend (\$1,106.96 in 2006) that \$34 billion fund has certainly earned its notoriety. For someone injured while commercial fishing, though, knowing about the state's Fishermen's Fund may have been even more important. In 2005, the lesser-known fund paid an average of \$1,121 per person for medical care provided to 841 people who were injured or fell ill while commercial fishing in Alaska.

The Fishermen's Fund, along with the Second Injury Fund and the newly formed Benefits Guaranty Fund, are small funds within the Alaska Department of Labor & Workforce Development's Workers' Compensation Division that can play large roles in the lives of injured workers. The benefits and the workers who qualify for them vary, but the funds all share the same goal – helping injured workers get back on the job.

The division's general workers' compensation program also aims to help injured workers get back to work, but these three funds operate separately. Each

is intended to address a specific problem or concern affecting particular groups of injured workers.

The Fishermen's Fund helps pay the medical bills of commercial fishermen not covered by health insurance. The payments reduce the concern that commercial fishermen, who are exempt from the requirement to have workers' compensation insurance, might be unable to get needed medical care.

The concern of the Second Injury Fund is employment discrimination. Without the fund, which was established in 1959 in the first Legislature after statehood, employers were often hesitant to hire a worker with a disability because they feared a relatively minor injury might combine with the existing disability and obligate them to pay large amounts of workers' compensation benefits.

To reduce those concerns, the Second Injury Fund reimburses employers' insurance companies and self-insured employers for some of the benefits they pay each year to the injured workers whom the employers knew had disabilities when they hired them. By reducing the financial impact on the employers and their insurance companies, the fund removes a potential barrier to the reemployment of those workers with disabilities.

The Benefits Guaranty Fund deals with the problems workers face when they're injured on the job and their employers don't have workers' compensation insurance. If the employers fail to pay their employees' medical bills themselves, the fund pays the bills, then goes through the Attorney General's Office to collect the money from the employers in civil court.

The Fishermen's Fund

The Fishermen's Fund was established in 1951, prior to statehood, and lawmakers in 1959 voted to continue the fund in the first legislative session after statehood.

Fishermen's Fund technicians Linda Crapo (left) and Noora Parish review claims from fishermen. The fund helps pay the medical bills of commercial fishermen who aren't covered by health insurance.



Photo: J. Dapcevich

Thirty-nine percent of the amount crewmembers pay for their commercial fishing crewmember licenses each year goes into the fund, along with up to \$50 of the annual fee for each fishery limited entry permit. Those fees are then used to pay for medical care needed by crewmember license holders who are injured or become sick while fishing. The fund only pays bills that aren't covered by public or private health insurance coverage.

Linda Crapo and Noora Parish, the fund's two technicians, accept claims, establish coverage and then pay the health care providers or reimburse the fishermen if they've already paid the providers. Mike Monagle, the coordinator of Fishermen's Fund and other funds, said Crapo and Parish, working with a new computer system, have pared the claim approval process that took at least 30 days two years ago down to seven days. Using the new system, they verify the provider health care codes – to ensure they're paying the provider for treatment directly related to the injury – then upload their payment requests to the State of Alaska's accounting system, which issues and mails out the checks, or deposits the money in the providers' or fishermen's accounts, Monagle said.

In 2005, the fund paid out \$942,970 in benefits for 841 approved claims.

Monagle said filing a claim with Fishermen's Fund, or even appealing a claim, is a relatively simple process.

"Our experience is in relation to Workers' Compensation. Workers' Compensation is a system that follows administrative rules. It's sort of like a court case, with rules of evidence, discovery and depositions. Fishermen's Fund isn't anything like that," he said.

"It's a very uncomplicated process. There are no attorneys, no depositions, no sworn testimony," he said. Injured or sick fishermen file claims. If the claims are under \$2,500, Crapo and Parish approve them. If they're higher, they go to the fund's Advisory and Appeals Council for approval. The council, which usually meets in March and October each year, is made up of five fishermen appointed by the governor, one from each of the state's five fishery regions, and the Department of Labor's commissioner.

Appeals also go to the council. Fishermen can appear in person, but typically they fill out an appeal form. The council meets in executive session to decide on the appeal; if a fisherman doesn't like

the council's decision, he or she can file a second appeal with the commissioner.

The Second Injury Fund

The Second Injury Fund is paid for by annual fees from employers' insurance companies and employers who are approved self-insurers. They pay an annual fee of 6 percent of the total amount they pay to workers with disabilities for lost wages.

The fund staff then uses the fund to pay back the insurance companies and self-insured employers for the money they pay each year in lost wages to workers with disabilities. The reimbursement is made when a second injury combines with an initial disability, requiring the payment of substantially greater benefits than what would have been owed for the second injury alone. The fund allows insurance companies and self-insured employers to spread out risk, said Monagle, who's also the administrator of the Second Injury Fund.

In 2005, the fund collected \$3.9 million and reimbursed \$3.1 million to the insurance companies and self-insured employers on 130 claims, Monagle said. Cindy Neff, a compensation officer, and Carol Carter, a technician, run the fund's day-to-day operations. (Their salaries, along with part of Monagle's, come out of the fund. The Fishermen's Fund works the same way.)

Monagle said workers who are completely disabled and can't work get monthly payments for lost wages for the rest of their lives. (Since they aren't working, they wouldn't be able to accrue the retirement they would have accrued if they were working. Any other disability payment, other than Medicare, is deducted from their lost wages payment.)

The law lists the disabling "permanent physical impairments" that qualify for reimbursement from the fund. While some qualifying impairments such as limb amputations are apparent, others aren't. Conditions such as arthritis, heart disease, diabetes and ruptured spinal disks often have no visible signs.

Therefore, it's up to employers to ask their employees about any disabilities after they're hired, (which complies with the Americans with Disabilities Act). If they don't, the employers can't show they documented the impairments before the second injuries occurred – an absolute requirement for reimbursement. Many employers ask their employees to complete a checklist of 28 qualify-

ing conditions. By placing these checklists in their files, often with supporting medical records, the employers, through their insurance companies, are ready to pursue reimbursement if second injuries occur.

The Benefits Guaranty Fund

The Benefits Guaranty Fund, established in November 2005, is funded entirely from the civil penalties assessed against employers who fail to carry the required workers' compensation liability insurance. The Workers' Compensation Board has the authority to assess up to \$1,000 per day per employee in penalties.

The legislation that established the fund authorized the division to increase its investigators from the two it had in Anchorage to the five investigators it has now in Anchorage, Juneau and Fairbanks. Paul Grossi is the chief investigator; the others are Mark Lutz, Sandra Stuller, Richard Degenhardt and Richard Ellis. They track down uninsured employers, and investigate fraud in workers' compensation and the other funds, whether it's an employee's fraudulent workers' compensation claim or a health care provider's fraudulent charges. Insurance company wrongdoings are referred to the Division of Insurance within the Department of Commerce, Community and Economic Development.

The Benefits Guaranty Fund, unlike the others, employs no administrative staff. Instead, it was designed to function by using a contractor as a claims adjuster. Since penalties paid into the fund are now \$45,700, the Workers' Compensation

Division will solicit bids from contractors to do the claims adjusting. In the meantime, the division will continue to accept claims that will be forwarded to the eventual contractor.

"[The fund] will be a quicker remedy for the injured worker," Monagle said. Before the fund was established, the Workers' Compensation Board would order uninsured employers to pay their employees' benefits, and when they didn't, the division would ask the Attorney General's Office to collect the money for the employees (or health care providers if the employees couldn't pay them). Now that the fund is in place, the fund will be used to pay the employees or health care providers right away, then the division will ask the Attorney General's Office to collect the money for the state (to reimburse the fund). And, as before, the division refers employers in particularly egregious cases to the District Attorney's Office for prosecution.

Monagle said a lot of employers complain about having to pay for workers' compensation insurance, but what they dislike more is when their competitors don't have workers' compensation insurance and they get away with it. The Benefits Guaranty Fund – and the added investigators to track down uninsured employers – helps to level the playing field, he said.

"I'm real excited about all the programs, especially about the Benefits Guaranty Fund," Monagle said. "I think it's long overdue. I think it's been tragic when people who are injured through no fault of their own end up with severe disabilities and no resources available to them."

Trends Authors



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Chapter 35. Commercial Fishermen's Fund.

Section

- 10. Creation of Fishermen's Fund Advisory and Appeals Council
- 20. Appointment and composition of council
- 30. Commissioner or designee as chair
- 40. Duties of commissioner and council
- 50. Regulations
- 60. Creation and administration of fishermen's fund
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Section

- 90. Assistance after discharge
- 100. Transportation, hospital, nursing, medical, and surgical expenses
- 110. Contracts for care
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- 130. Duration of care
- 140. Limitation on benefits
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Administrative code. — For fishermen's fund, see § AAC 55.

Collateral references. — 53 Am. Jur. 2d, Master

and Servant, §§ 123, 124; 82 Am. Jur. 2d Workers' Compensation, §§ 1, 317-327.

99 C.J.S., Workmen's Compensation, §§ 153-169.

Sec. 23.35.010. Creation of Fishermen's Fund Advisory and Appeals Council. There is within the Department of Labor and Workforce Development a Fishermen's Fund Advisory and Appeals Council. (§ 13 ch 64 SLA 1959; am § 1 ch 93 SLA 1960)

Revisor's notes. — In 1999, in this section, "Department of Labor" was changed to "Department of

Labor and Workforce Development" in accordance with § 90, ch. 58, SLA 1999.

Sec. 23.35.020. Appointment and composition of council. The council is composed of the commissioner of labor and workforce development or a person designated by the commissioner and five members appointed by the governor for overlapping five year terms. The governor shall appoint one member from each of the following districts:

District 1: Wrangell and areas south;

District 2: Areas north of Wrangell to include Yakutat;

District 3: Areas west of Yakutat to East Coast of Alaska Peninsula, including Prince William Sound, Cook Inlet, and Kodiak;

District 4: Areas west of Alaska Peninsula to Cape Newenham, including Bristol Bay;

District 5: Areas north of Cape Newenham, including Kuskokwim, Yukon, Kotzebue, and the Arctic. (§ 13 ch 64 SLA 1959; am § 1 ch 93 SLA 1960; am § 1 ch 175 SLA 1976)

Revisor's notes. — In 1999, in this section, "commissioner of labor" was changed to "commissioner of

labor and workforce development" in accordance with § 90, ch. 58, SLA 1999.

Sec. 23.35.030. Commissioner or designee as chair. The commissioner of labor and workforce development or the person designated by the commissioner serves as the chair of the council. (§ 13 ch 64 SLA 1959; am § 1 ch 93 SLA 1960)

Revisor's notes. — In 1999, in this section, "commissioner of labor" was changed to "commissioner of

labor and workforce development" in accordance with § 90, ch. 58, SLA 1999.

Sec. 23.35.040. Duties of commissioner and council. The commissioner shall consult with the council before the commissioner makes a negative decision on an appeal filed with the commissioner in relation to the care of a sick and disabled fisherman. (§ 13 ch 64 SLA 1959; am § 1 ch 93 SLA 1960)

Sec. 23.35.050. Regulations. The department may adopt regulations to carry out the purposes of this chapter, including those that are necessary or advisable to protect the fund by limiting or suspending payments from the fund. The regulations must be uniform in application. (§ 2 ch 100 SLA 1951)

Opinions of attorney general. — The Department of Labor may not adopt a regulation requiring that a reasonable deductible amount be satisfied on each claim before the Fund pays benefits. March 4, 1985, Op. Att'y Gen.

The Department of Labor could adopt regulations limiting the availability of benefits under AS 23.35 to persons who have no insurance, as this would accord with the department's interpretation of the purpose of the Fund. March 4, 1985, Op. Att'y Gen.

Sec. 23.35.060. Creation and administration of fishermen's fund. (a) There is created a fund, designated as the "fishermen's fund." The Department of Revenue is the custodian of the fund, and the Department of Labor and Workforce Development shall administer it. The fund shall be composed of

- (1) 39 percent of the money derived by the state from all commercial fishermen's licenses, not to exceed a maximum of \$50 for each license holder for each year; and
- (2) money appropriated to carry out the purpose of this chapter.

(b) The legislature may appropriate up to 50 percent of the interest income earned by the state on the balance of the fishermen's fund for a grant for statewide marine safety training and education programs. (§ 4 ch 100 SLA 1951; am § 1 ch 99 SLA 1955; am § 16 ch 105 SLA 1977; am § 11 ch 123 SLA 1978; am § 2 ch 40 SLA 1997; am § 5 ch 44 SLA 1999; am § 6 ch 27 SLA 2001)

Revisor's notes. — In 1999, in (a) of this section, "Department of Labor" was changed to "Department of Labor and Workforce Development" in accordance with § 90, ch. 58, SLA 1999.

Cross references. — For legislative intent in enacting subsection (b), see § 1, ch. 40, SLA 1997 in the 1997 Temporary and Special Acts; for legislative intent relating to the amendment of subsection (a) by § 5, ch. 44, SLA 1999, see § 1, ch. 44, SLA 1999 in the 1999 Temporary & Special Acts.

Effect of amendments. — The 1997 amendment, effective August 25, 1997, added subsection (b).

The 1999 amendment, effective January 1, 2000, substituted "39 percent" for "60 percent" in subsection (a).

The 2001 amendment, effective May 10, 2001, in subsection (a), added the paragraph designations and added ", not to exceed a maximum of \$50 for each license holder for each year" at the end of paragraph (1).

Sec. 23.35.070. Benefits. A fisherman, upon becoming disabled, is entitled to receive benefits as follows: Immediately after the fisherman sustains an injury or disability arising out of an accident directly connected with operations as a fisherman, either ashore in the state or in Alaska water, or suffers an occupational disease, the fisherman is entitled to emergency treatment, transportation to the nearest place where approved medical facilities are available, medical care, and hospitalization. In this section, "Alaska water" means the inland and territorial water of the state and the fishery conservation zone adjacent to the state established by 16 U.S.C. 1811 (§ 101, Fisheries Conservation and Management Act of 1976). (§ 5 ch 100 SLA 1951; am § 2 ch 99 SLA 1955; am § 1 ch 59 SLA 1957; am § 1 ch 15 SLA 1979)

Opinions of attorney general. — Chiropractors render medical services and are entitled to recover payment under the Fishermen's Fund. August 23, 1971, Op. Att'y Gen.

The Department of Labor may not adopt a regulation requiring that a reasonable deductible amount be satisfied on each claim before the Fund pays benefits. March 4, 1985, Op. Att'y Gen.

It is not required that an injury or accident be "directly caused" by the fishing endeavor; if the legislature had intended that interpretation, it seems likely that it would have said "directly caused by" rather than "directly connected with." March 4, 1985, Op. Att'y Gen.

The cost of treatment by acupuncture is an expense that is covered by the Fishermen's Fund. June 18, 1985, Op. Att'y Gen.

The council is limited by the plain meaning of this section, which incorporates the federal definition by reference, to define Alaska waters as including to the 200 mile limit. March 30, 1988, Op. Att'y Gen.

The council can validly refuse to pay claims from Metlakatla fishermen who do not pay into the fund through the purchase of commercial license or gear holder permits even though he or she may be validly fishing in Metlakatla waters by tribal permit at the time of the injury. March 30, 1988, Op. Att'y Gen.

The fund is required to cover injuries that occur in the waters off Metlakatla, where fisheries are regulated by the tribal government of the Metlakatla Indian Community and not by the State of Alaska. March 30, 1988, Op. Att'y Gen.

NOTES TO DECISIONS

Cited in *Hutcherson v. State*, Dep't of Labor, 612 P.2d 1017 (Alaska 1980).

Sec. 23.35.080. Emergency treatment for cardio-vascular diseases. The department may pay the costs, within the maximum limitations, of emergency treatment, transportation, medical care, and hospitalization, necessitated by a cardio-vascular disease, if the department determines that the disease is attributable, directly or indirectly, to the fishing endeavor. (§ 5 ch 100 SLA 1951; am § 2 ch 99 SLA 1955; am § 1 ch 59 SLA 1957)

Sec. 23.35.090. Assistance after discharge. A fisherman is also entitled to such assistance after discharge from the hospital during period of convalescence as the department allows in consideration of the condition of the fund. (§ 5 ch 100 SLA 1951; am § 2 ch 99 SLA 1955; am § 1 ch 59 SLA 1957)

Sec. 23.35.100. Transportation, hospital, nursing, medical, and surgical expenses. The department may pay out of the fund all reasonable transportation charges incurred under AS 23.35.080 and 23.35.090, including cost of returning the fisherman to the boat or home of the fisherman or to another place that reasonably meets with the fisherman's convenience, and the reasonable hospital, nursing, medical, and surgical expense incurred in the examination, treatment, and care of the fisherman. (§ 6 ch 100 SLA 1951)

Opinions of attorney general. — Money cannot be expended from the sick and disabled fishermen's fund for the payment of charges for medicine prescribed by chiropractors. 1961 Op. Att'y Gen., No. 23.

It is illegal and criminal for a chiropractor, without additional qualifications, to prescribe drugs or medicine to sick or injured persons. 1961 Op. Att'y Gen., No. 23.

Chiropractors render medical services and are entitled to recover payment under the Fishermen's Fund. August 23, 1971 Op. Att'y Gen.

For discussion of the Fund's power to seek reimbursement from claimants' insurance carriers or medical providers where insurance has paid part or all of a claim, see March 4, 1985, Op. Att'y Gen.

Absent an assignment of the claim from the injured person, the Fishermen's Fund may not sue third parties for negligence which caused or contributed to the injury, and even with an assignment, it would not be advised. March 4, 1985, Op. Att'y Gen.

The Fishermen's Fund may recover overpayments made by mistake. March 4, 1985, Op. Att'y Gen.

The Department of Labor could adopt regulations limiting the availability of benefits under AS 23.35 to persons who have no insurance, as this would accord with the department's interpretation of the purpose of the Fund. March 4, 1985, Op. Att'y Gen.

The cost of treatment by acupuncture is an expense that is covered by the Fishermen's Fund. June 18, 1985, Op. Att'y Gen.

Sec. 23.35.110. Contracts for care. In carrying out this chapter, the department may enter into contracts or other arrangements with hospitals and doctors in the state for furnishing care on an annual basis to persons entitled to benefits. Contracting under this section is governed by AS 36.30 (State Procurement Code). (§ 6 ch 100 SLA 1951; am § 22 ch 106 SLA 1986)

Sec. 23.35.120. Cooperation with other agencies. In providing care the department shall provide the type and quality of treatment that will restore the fisherman to health and productivity, if possible. The department may enter into cooperative arrangements with agencies of the federal government, other states and territories, and private clinics and rehabilitation centers for the care and treatment of fishermen. (§ 7 ch 100 SLA 1951)

Sec. 23.35.130. Duration of care. Except for compelling reasons, compensation may not be paid for the care of any one person involving a single injury or disability beyond a period of one year from the date of initial allowance. (§ 7 ch 100 SLA 1951)

Opinions of attorney general. — The legislature intended a relatively liberal interpretation of the act. 1959 Op. Att'y Gen., No. 5.

For scope of term "compelling reasons", see 1959 Op. Att'y Gen., No. 5.

With respect to a pre-existing injury, that is, one for which benefits have been paid under the Act, if

subsequent aggravation is attributable strictly to that injury, and does not amount to a new injury, then, as with a recurring disability, the Act does not appear to confer benefits, for it remains a "single injury." March 4, 1985 Op. Att'y Gen.

Sec. 23.35.140. Limitation on benefits. (a) Except for compelling reasons,

(1) compensation may not be paid for medical care or hospitalization furnished before the ascertainable time of injury, or before authorization in the case of disability caused by an occupational disease;

(2) the total allowance for any one injury or disablement is \$2,500;

(b) The total allowance for any one heart attack is \$2,500. (§ 7 ch 100 SLA 1951; am § 1 ch 103 SLA 1965; am § 1 ch 166 SLA 1968)

Opinions of attorney general. — There might be many very "compelling reasons" to raise the benefits above \$2,500 under some circumstances. 1959 Op. Att'y Gen., No. 5.

With respect to a pre-existing injury, that is, one for which benefits have been paid under the Act, if

subsequent aggravation is attributable strictly to that injury, and does not amount to a new injury, then, as with a recurring disability, the Act does not appear to confer benefits, for it remains a "single injury." March 4, 1985, Op. Att'y Gen.

Sec. 23.35.150. Definitions. In this chapter

(1) "approved medical facilities" and "medical care" include the facilities of, or the care and treatment prescribed or performed by, a practitioner of chiropractic licensed by the state under AS 08.20;

(2) "council" means the Fishermen's Fund Advisory and Appeals Council;

(3) "fisherman" means a person who is licensed by the state to engage in commercial fishing under AS 16.05.480 or who is the holder of a permit issued under AS 16.43 and who, at the time injury is sustained or illness is contracted, is actually so engaged or is occupied in Alaska in preparing or dismantling boats or gear used in commercial fishing;

(4) "fund" means the Fishermen's Fund;

(5) "occupational disease" means hernia; varicose veins of the leg; the respiratory diseases, bronchitis, pleurisy, and pneumonia caused by or aggravated by the fishing endeavor, but excluding the common cold and influenza; rheumatism, arthritis, and those musculoskeletal diseases (such as bursitis, traumatic sciatica, and tenosynovitis) directly caused by or aggravated by the fishing endeavor; and does not include a disease not common to both sexes, venereal disease, or a condition arising out of an attempt of a fisherman to injure self or another. (§§ 4, 5, 8 ch 100 SLA 1951; am §§ 1, 2, ch 99 SLA 1955; am § 1 ch 59 SLA 1957; am § 13 ch 64 SLA 1959; am § 1 ch 93 SLA 1960; am § 1 ch 77 SLA 1962; am § 1 ch 51 SLA 1972; am § 17 ch 105 SLA 1977; am § 38 ch 168 SLA 1990)

Revisor's notes. — This section was reorganized in 1984 to place the defined terms in alphabetical order and in 1996 to delete repealed paragraphs.

Opinions of attorney general. — Persons who are primary fish buyers and packers are "commercial fishing" under AS 16.05.940(5) so as to qualify them as "fishermen" under paragraph (5) (now (3)) of this section to receive benefits from the Fishermen's Fund.

March 8, 1985 Op. Att'y Gen.

This section does not preclude the payment to a fisherman who holds a valid Alaska commercial fishing license or gear license, but chooses to commercial fish in Metlakatla waters where a special permit only is required to authorize such fishing. March 30, 1988 Op. Att'y Gen.



Alaska Division of Investments

FY 2008

House Special Committee on Fisheries

Prepared by Alaska Division of Investments ~ January 7, 2007

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

Duties & Responsibilities

Administration of Loan Programs

The Alaska Division of Investments (ADI) administers and services 13 loan programs under the Department of Commerce, Community, & Economic Development (DCCED). These programs were primarily designed to promote economic development through direct state lending in industries and areas of the state that are not adequately serviced by the private sector. Private sector financing for these programs is generally not feasible due to constraints on the types of collateral available or because of a higher level of risk.

Active lending is available in five loan programs: Commercial Fishing Revolving Loan Fund (CFRLF), Fisheries Enhancement Revolving Loan Fund (FERLF), Small Business Economic Development Revolving Loan Fund (SBEDRLF), the Rural Development Initiative Fund (RDIF) and the Self Help Group Home Loan Program. These programs accomplish important policy goals. They create jobs for Alaskans, generate significant economic activity and provide a revenue stream back to the state in the form of earnings. These programs are completely self-sufficient and receive no support from the General Fund.

Servicing Other State Agencies' Loan Portfolios

ADI provides loan servicing in six portfolios for three other state agencies: the Alaska Industrial Development and Export Authority, the Department of Health and Social Services, and the Department of Environmental Conservation.

The combined lending functions (underwriting, servicing, collections, and data processing) can be performed more efficiently when they are consolidated into one agency. The complexities involved in some of these functions (e.g., bankruptcies, foreclosures, hazardous waste investigations, and repossessed properties) require a level of expertise that is easier to support when consolidated. These agencies find it more efficient and expedient to have ADI perform these functions.

Statistics as of June 30, 2006

	<i>Number of Loans</i>	<i>Principal Balance Outstanding</i>
DCCED Loans	1,883	141,259.1
Other Accounts*	928	64,128.1
Other Agencies' Loans	130	10,307.4
Other Accounts*	55	499.4
TOTAL	2,996	216,194.0

*Other accounts include judgments, deferred interest, accounts receivable, and repossessed property.

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

Director's Office

- Program Administration
- Legislation
- Establish Policies & Procedures
- Budget Planning & Control
- Facilities Management
- Personnel Management

Lending Branch

- New Applications
- Loan Documentation & Closing
- Refinances
- Assumptions
- Payment Extensions
- Fisheries Enhancement Tax
Receipt Administration
- Regional Seafood Development Assoc.
Tax Receipt Administration
- Collateral Insurance
- Delinquent Loan Collection
- Foreclosure & Bankruptcy
Management
- Repossessed Asset Sales

Systems Branch

- Customer Service
- Payment Receipt
- Credit Reporting
- Commercial & Mortgage Loan
Accounting
- Litigation Accounting
- Cash Availability Analysis
- Cash Flow Projections
- Loan Files Management &
Maintenance
- Reception

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Commercial Fishing Revolving Loan Fund
Program Summary

AS 16.10.300 -.370; enacted in 1972

3 AAC 80.010 -.900

Section Purpose and Loan Maximum:	All Sections: Eligibility Requirement: <i>Must be an Alaska resident for a continuous period of the past 2 years immediately preceding the date of application, have no past due child support, and;</i>
Section A: \$300,000 Maximum Purchase limited entry permits; upgrade existing vessels and gear to improve the quality of Alaska seafood.	Section A: Eligibility Requirements: Possesses a crewmember or commercial fishing license or a limited entry permit for the year immediately preceding date of application, and any other two of the past five years and has been actively participating in the fishery during those periods.
Section B: \$100,000 Maximum Purchase limited entry permits, vessels or gear; repair, restore or upgrade existing vessels or gear; upgrade existing vessels and gear to improve the quality of Alaska seafood.	Section B: Eligibility Requirements: Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or; Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska. Is not eligible for financing from other commercial lenders.
Section C: \$300,000 Maximum Purchase quota shares for the halibut or sablefish fisheries.	Section C: Eligibility Requirements: For any two of the past five years, possessed a crewmember or commercial fishing license or a limited entry permit and actively participated in a fishery for which the license or limited entry permit was issued; Qualifies as a transferee for quota shares, and; Is not eligible for financing from other commercial lenders.
Section D: \$35,000 Maximum Provide loans to satisfy past due federal tax obligations.	Section D: Eligibility Requirements: Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or; Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska.
Section E: \$2,000,000 Maximum Provide loans to qualified Community Quota Entity (CQE) communities for the purchase of Quota Shares.	Section E: Eligibility Requirements: CQE is: Certified by NMFS and is eligible to hold Quota shares, Not eligible for financing from other recognized commercial lending institutions.
Section F: \$300,000 Maximum Provide loans to tender vessel owners to upgrade vessels and gear for the purpose of improving the quality of seafood products.	Section F: Eligibility Requirements: See "All Sections Eligibility Requirements" above.
Section 10: Amount Previously Financed Refinance existing CFRLF loans made to purchase a commercial fishing vessel or gear.	Section 10: Eligibility Requirements: Remains qualified under the program.
Section 11: \$200,000 Maximum Refinance non CFRLF loans incurred by a borrower to purchase a commercial fishing vessel or gear.	Section 11: Eligibility Requirements: Qualifies for a loan under section A, B, C, D or F.

Terms Interest Rate:	Fixed rate at Prime plus 2%, not to exceed 10.5%. (Product quality improvement loans are Prime rate minus 2%.)
Maximum Loan Term:	Fifteen years.
Maximum Program Eligibility:	The total balances outstanding on all loans, excluding Section E, may not exceed \$400,000.

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Commercial Fishing Revolving Loan Fund
Historical Summary
(Dollars in Thousands)

AS 16.10.300 -.370; enacted in 1972

3 AAC 80.010 -.900

Statistics as of June 30, 2006

Total appropriations to RLF:	60,201.0	Last appropriation from the General	
Total appropriations from RLF:	<u>-94,526.7</u>	Fund: FY85	3710.0
Net of appropriations:	<u><u>-34,325.7</u></u>		
Total number of loans committed:	6,328	Number of accounts outstanding:	2,474
Total dollars committed:	393,477.2	Principal amount outstanding:	83,327.7

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Fisheries Enhancement Revolving Loan Fund

Historical Summary

(Dollars in Thousands)

AS 16.10.500-.560; enacted in 1976

3 AAC 81.010 - .900

Purpose: Loans are available for planning, construction, and operation of fish hatchery facilities, including preconstruction activities necessary to obtain a permit, construction activities to build the hatchery facility, and the costs to operate the facility.

Eligibility: Loans may be made to qualified regional associations or private, nonprofit corporations who have obtained a private, nonprofit hatchery permit from the Alaska Department of Fish and Game (ADF&G). Loans may also be made for planning and preconstruction purposes prior to receipt of a hatchery permit from ADF&G.

Terms: Maximum loan amount: \$10 Million

Maximum loan term: 30 Years

Interest rate: Fixed rate at Prime plus 1%, not to exceed 9.5%.

No repayment of the principal is required for an initial period of six to ten years; no interest on the principal accrues during that period.

Statistics as of June 30, 2006

Total appropriations to RLF:	84,660.3	Last appropriation from the General	
Total appropriations from RLF:	-7,486.7	Fund: FY94	2,068.2
Net of appropriations:	<u>77,173.6</u>	Last transfer from the Commercial	
		Fishing Revolving Loan Fund: FY95	9,934.9
		Amount of payments received on all	
		loans for life of program:	65,447.3
Total number of loans committed:	296	Number of accounts outstanding:	321
Total dollars committed:	133,430.4	Principle amount outstanding:	121,465.4

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

Rural Development Initiative Fund

Historical Summary

(Dollars in Thousands)

AS 44.88.600 - .620; enacted in 2000

3 AAC 99.825 - .899

Background: The Rural Development Initiative Fund was created in 2000 to provide financing to small businesses creating jobs in rural communities. The program was developed to replace a similar program administered for many years by the former Department of Community and Regional Affairs. The fund is owned by the Alaska Industrial Development and Export Authority (AIDEA); however, the program is administered by ADI through a servicing contract. The fund is revolving and requires no general fund appropriations. A total of 366 jobs have been created or saved as a result of these loans.

Purpose: Financing is available for working capital, equipment, construction, or other commercial purposes.

- Eligibility:**
- Loans may only be made to businesses located in a community with a population of 5,000 or less that is not connected by road or rail to Anchorage or Fairbanks, or with a population of 2,000 or less that is connected by road or rail to Anchorage or Fairbanks.
 - Loans must result in the creation of new jobs, or the retention of existing jobs in the eligible community.
 - A reasonable amount of nonstate funding must be included as a part of the total project cost.

Terms: Maximum loan amount: One person: \$100,000
Two or more persons: \$200,000
Maximum loan term: 25 Years
Interest rate: Prime rate minus 1%, not less than 6% per year.

Statistics as of June 30, 2006

State appropriations to RLF	2,250.5	Number of jobs created:	190.5
Grant appropriations to RLF	<u>1,174.0</u>	Number of jobs saved:	<u>175.5</u>
Total appropriations to RLF:	3,424.5	Total jobs created/saved:	366
Total appropriations from RLF	<u>-128.0</u>		
Net of appropriations:	<u><u>3,296.5</u></u>		

Total number of loans committed:	52	Number of accounts outstanding:	33
Total dollars committed:	5,890.1	Principal amount outstanding:	3,212.8

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Small Business Economic Development Revolving Loan Fund

Historical Summary

(Dollars in Thousands)

AS 44.88.400 - .430; enacted in 1987

3 AAC 99.800 - .820

Background: The Small Business Economic Development Revolving Loan Fund was created in 1987 to finance the start up and expansion of small businesses that create significant long-term employment in areas of the state that were experiencing economic difficulties. The fund was initially capitalized through a federal grant from the Economic Development Administration (EDA) as well as matching funds from the state. The fund is owned by AIDEA; however, the program is administered by ADI through a servicing contract. The fund is revolving and requires no general fund appropriations. A total of 563 jobs have been created or saved as a result of these loans.

Purpose: To provide private sector employment, and financial assistance towards the start up and expansion of businesses.

- Eligibility:**
- The applicant must meet the definition of "small business" according to the Small Business Administration.
 - The applicant must be unable to obtain private financing for the entire project; however, at least half of the project costs must be privately funded.
 - Loan funds may not be used to reimburse costs incurred prior to submitting an application.

Terms:

Maximum loan amount: \$300,000
Maximum loan term: 20 Years
Interest rate: Prime rate minus 4%, not less than 4%.

Statistics as of June 30, 2006

Total Federal grants to RLF:	4,681.4	Number of jobs created:	563
Total State match to RLF:	<u>1,736.7</u>	Number of jobs saved:	<u>290.5</u>
Total appropriations to RLF:	6,418.1	Total jobs created/saved:	853.5
Total appropriations from RLF	<u>-116.4</u>		
Net of appropriations to RLF:	<u><u>6,301.7</u></u>		
Total number of loans committed:	100	Number of accounts outstanding:	67
Total dollars committed:	11,771.4	Principal amount outstanding:	6,859.5

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Significant Issues for FY08

Rural Economic Development

Promoting economic development in rural areas of Alaska presents a challenge. The Alaska Division of Investments (ADI) will play an important role in the Department of Commerce, Community, & Economic Development's efforts to promote economic development in rural Alaska by providing access to capital. These efforts will utilize several programs administered by ADI, which include the Rural Development Initiative Fund, Small Business Economic Development Fund, Commercial Fishing Revolving Loan Fund (CFRLF), the Volunteer Tax and Loan Program, and the Community Quota Entity Program. ADI will increase the financial services it provides through outreach efforts, and will spend additional time marketing these programs. The goal is to increase economic activity and employment opportunities in rural areas of the state.

Salmon Industry

The commercial fishing industry continues to experience challenges as world markets adapt to the changing supply of fish from fish farms. The Alaska salmon markets have been significantly affected. It is vitally important that Alaska maintains its place in the worldwide salmon market during these challenging times. Both the CFRLF and the Fisheries Enhancement Revolving Loan Fund (FERLF) play an extremely important role in the fishing industry. Loans that help Alaskan harvesters purchase limited entry permits, vessels and gear continue to be a major focus of the CFRLF program. Product Quality Improvement loans and Community Quota Entity loans will also be emphasized. These programs accomplish very important policy goals, as they promote a predominantly resident fishery and create jobs throughout the state.

Although market conditions have improved significantly in recent years and the fund remains strong, reduced prices and lack of fish returns in some fisheries has resulted in difficulties for some of our borrowers. Fortunately, the statutes provide the flexibility needed to craft solutions to payment problems and ADI will continue to dedicate resources in FY08 toward these efforts.

Loan Servicing Software Replacement

The software package currently being used by ADI was purchased in the early 1980's and is out of date. ADI purchased a replacement system and is currently going through the conversion process. The new system will provide loan origination functions such as application tracking, document creation and management. It will also provide accurate and timely information to management, the legislature and the public. Installation, customization and implementation of the new system is expected to be completed in FY08.

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Accomplishments in FY06

Commercial Fishing Revolving Loan Fund (CFRLF) Program

This program promotes the development of a predominantly resident fishery by providing loans to Alaskan commercial fishing harvesters. Market conditions in the commercial fishing industry have dramatically changed in recent years creating tremendous challenges for commercial fishing harvesters that utilize the CFRLF. The Alaska Division of Investments (ADI) has worked extensively with harvesters to ensure that the CFRLF continues to fulfill its mission. In fiscal year 2006, ADI approved 169 new loans totaling \$10,918,524.00, and processed 80 loan extension requests.

AS 16.10.310(a)(10) allows commercial fishing borrowers to refinance existing CFRLF loans to take advantage of reduced interest rates when they occur. ADI has developed a streamlined application process to assist borrowers in their refinancing efforts. During FY06, ADI processed fifteen refinancing applications.

Fisheries Enhancement Revolving Loan Fund (FERLF) Program

This program promotes the enhancement of the state's fisheries by making loans to qualified nonprofit corporations to build and operate salmon hatcheries and to engage in other fisheries related enhancement activities. During FY06, ADI made two loans totaling \$1,063,045.00. The nonprofit corporations supported by the FERLF have contributed over \$1 billion to Alaska's economy.

Rural Development Initiative Fund

This program provides loans to businesses located in communities of 5,000 or less. During FY06, ADI approved sixteen loans totaling \$1,779,812.00. These loans have resulted in the creation/retention of 213 jobs.

Small Business Economic Development Loan Fund (SBED) Program

This program provides loans to small businesses located in areas of the state that have experienced economic difficulties. The purpose of the program is to create jobs and stimulate economic activity in these communities. During FY06, ADI approved nine SBED loans totaling \$1,233,871.00. These loans resulted in the creation/retention of 49 jobs.

Volunteer Tax and Loan Program (VTLP)

ADI supported the VTLP through a fisheries business development contract with the Alaska Business Development Center, Inc. (ABDC). This program has been operating successfully since 1996. The focus of the VTLP continues to be rural harvesting communities targeted by the IRS as having tax compliance issues. During the 2006 tax season, the VTLP teams, comprised of advanced college accounting students and tax supervisors, together with ABDC consultants, visited a total of sixty-nine villages in seven areas to provide tax preparation and loan application services as well as financial counseling. Another fifteen villages were assisted via mailed returns for a total of eighty-four communities that received assistance. Eight areas around the state were assisted either through an actual visit by the VTLP teams or through mailed returns. Those eight areas included Western, Bristol Bay, Pribilofs, Interior, Aleutians, Southeast, Kodiak and Yukon Delta. VTLP's volunteers prepared over 3,016 tax returns, assisting approximately 6,500 people. As a result of these efforts, more than \$3.7 million in tax-refunds are returning to these communities.

The VTLP has received national recognition on four occasions. The United States Department of Commerce, Economic Development Administration (EDA) presented an Honorable Mention Award for the EDA Excellence in Economic Development/Economic Development Partnership category to the VTLP program in September of 2005. In September of 2004, the program was selected by the International Economic Development Council (IEDC) to receive a partnership award. In August of 2001, the program was selected by the National Association of Development Organizations (NADO) to receive a 2001 Innovation award. In 1999, the program received an award for Innovative Approach to Non-Profit Management from the Peter F. Drucker Foundation located in New York.

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

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Web site: www.abdc.org

Office Telephone Numbers:

Voice: (907) 562-0335
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Toll free number: 1 800 478-FISH (3474)

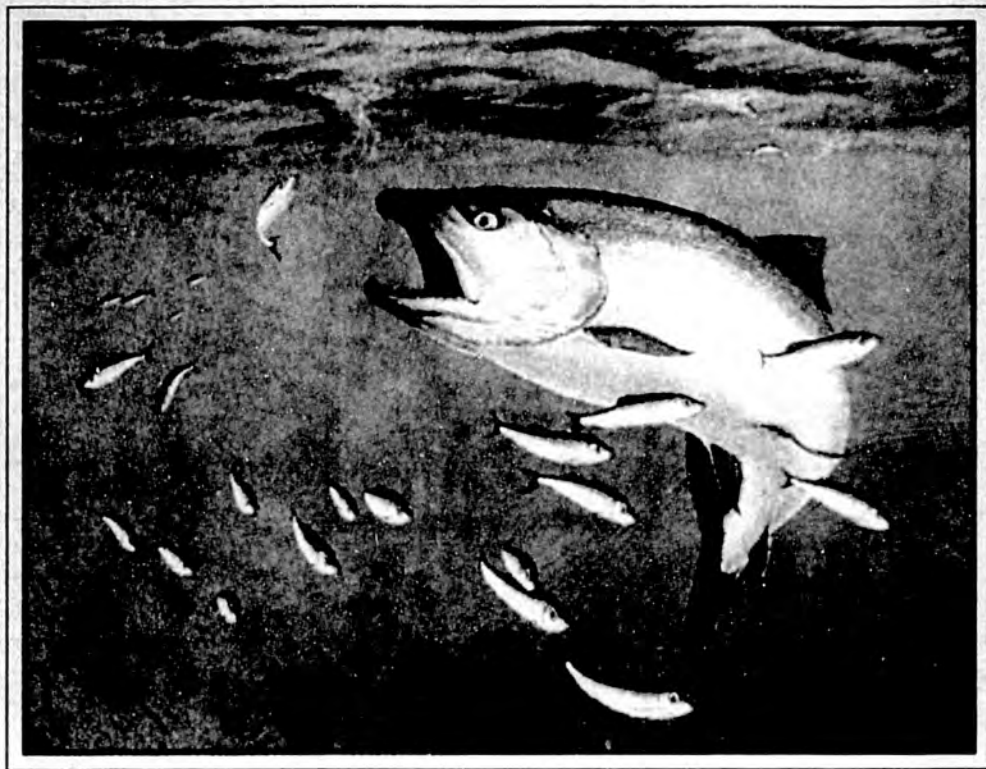


Alaska Division of Investments

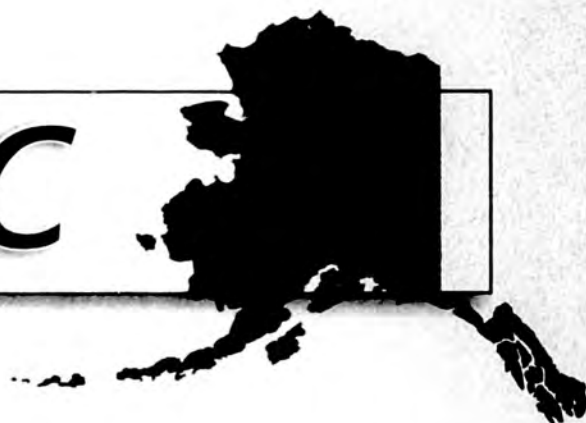
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C F E C



Commercial Fisheries
Entry Commission
2005 Annual Report





This edition of the CFEC annual report is dedicated to the memory of Ed Mills; a gifted and well-known wildlife artist from Juneau. Ed has graciously given CFEC permission to use a rendering of his "King of the Sea" painting on the Annual Report cover since 2003.

"King of the Sea"
cover art courtesy of
Juneau Wildlife Artist
Ed Mills

Inside photo courtesy of
Andy Mills



STATE OF ALASKA COMMERCIAL FISHERIES ENTRY COMMISSION 2005 ANNUAL REPORT

Dear Governor, Legislators, and Fellow Alaskans:

We are pleased to submit the Commercial Fisheries Entry Commission's 2005 Annual Report, pursuant to AS 16.43.980.

The Alaska Legislature enacted the Limited Entry Act in 1973, soon after Alaska voters approved a constitutional amendment which authorized entry limitation. The Limited Entry Act created a system for limiting the number of participants in Alaska's commercial fisheries and established the Commercial Fisheries Entry Commission to implement and administer the program.

During 2005, the Commission adopted regulations to revise its fee schedule as authorized by the legislature in the passage of SB 93 which became effective in May 2005; adopted regulations establishing an optimum number range for the Bristol Bay salmon drift net fishery; issued nearly 31,000 annual fishing permits and vessel licenses; reviewed more than 2,000 transfer requests, and issued 152 adjudicatory decisions. At various stages of adjudication, 230 cases were before the Commission as of the end of 2005.

Working with the Legislature, Administration, and the fishing industry in 2005, the Commission continued to provide fisheries data as well as information concerning options, statutory tools, and protections needed to meet the challenges facing Alaska's evolving fisheries. Additionally, the Commission continues to work closely with fishermen, organizations, communities, the Alaska Department of Fish and Game, the Alaska Department of Commerce, Community and Economic Development, Alaska Board of Fisheries, the Commercial Fishing and Agriculture Bank, Alaska Business Development Center, Child Support Enforcement Division, Division of Emergency Services, Small Business Administration, Internal Revenue Service, as well as the North Pacific Fisheries Management Council and other federal fisheries management agencies on issues of importance to Alaska's commercial fishing industry.

We remain dedicated to our role in promoting conservation and sustained yield management of Alaska's fish resources and economic stability among fishermen and those dependent upon them for a livelihood.

Sincerely,

COMMERCIAL FISHERIES ENTRY COMMISSION

Frank Homan, Chairman

Peter Froehlich, Commissioner

Bruce Twomley, Commissioner





OEO/ADA Compliance Statement

The Commission is administratively attached to the Alaska Department of Fish and Game (ADF&G).

The Alaska Department of Fish and Game administers all programs and activities free from discrimination based on race, color, national origin, age, sex, religion, marital status, pregnancy, parenthood, or disability. The department administers all programs and activities in compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975, and Title IX of the Education Amendments of 1972.

If you believe you have been discriminated against in any program, activity, or facility, or if you desire further information please write to ADF&G, P.O. Box 25526, Juneau, AK 99802-5526; U.S. Fish and Wildlife Service, 4040 N. Fairfield Drive, Suite 300 Webb, Arlington, VA 22203, or O.E.O., U.S. Department of the Interior, Washington DC 20240.

For information on alternative formats for this and other department publications, please contact the department ADA Coordinator at (voice) 907-465-4120, (TDD) 907-465-3646, or (FAX) 907-465-2440.





Commercial Fisheries Entry Commission



**State of Alaska
Governor**

Frank H. Murkowski

Commissioners

Frank Homan, Chairman

Peter Froehlich, Commissioner

Bruce Twomley, Commissioner

Adjudications

Frank Glass, Project Leader

**Information
Technology**

Ty McMichael, Project Leader

Licensing

Karen Wells, Project Leader

Research

Kurt Schelle, Project Leader

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2005 Annual Report design and
layout by Shirley Penrose





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Introduction

The commercial fishing industry is a major component of Alaska's statewide economy and the economic backbone of Alaska's coastal communities. Alaska's seafood industry is one of the state's largest sources of private sector jobs. The Alaska Commercial Fisheries Entry Commission (Commission) plays an essential management role in developing and sustaining Alaska's billion dollar fishing industry.

In 1972, Alaskans voted to amend Article 8, Section 15 of the State's constitution to allow limited entry into Alaska's commercial fisheries. With this new authority, the Legislature approved the Limited Entry Act in 1973. The Act created the limited entry program and established the Commission as an independent regulatory and quasi-judicial agency to carry out the mandate of the people and legislature.

The Limited Entry Act directs the Commission to promote the conservation and sustained yield management of Alaska's fishery resources, and the economic health and stability of the fishing industry, by regulating entry into the state's commercial fisheries. To meet these responsibilities, the Commission organizes its staff into four sections: Adjudications, Research, Licensing, and Information Technology (See the chart: Organization by Agency Function, page 4).

The Commission engages in the following activities mandated by law (AS 16.43):

- Establishes maximum numbers of entry permits for fisheries to be limited and administers applications and point systems to rank eligible applicants;
- Processes entry permit applications and adjudicates claims not resolved in initial classification;
- Issues annual permits in limited and unlimited fisheries, and issues annual licenses for all vessels as required to legally participate in the state's commercial fisheries;
- Processes requests for emergency and permanent transfers of entry and interim-use permits and compiles data on all such transfers;
- Enforces provisions of the Limited Entry Act by regulating permit transfer activities;
- Participates in the research and development of comprehensive fisheries economic data;
- Works with other state and federal management agencies to develop, analyze, and coordinate fisheries policies;
- Assesses demerit points against permit holders for convictions of violations of commercial fishing laws in the salmon fisheries; and
- Issues vessel permits in fisheries under vessel-based limitations.

Between 1973 and the end of 2005, the Commission limited entry into 68 of Alaska's fisheries. The Commission regularly receives petitions for the limitation of additional fisheries and works with fishermen and the Department of Fish and Game to analyze these requests.



The percentage of limited entry permits held by Alaska residents has remained relatively stable. Thirty-two years after enactment of Alaska's Limited Entry Act, Alaskans hold 77% of all limited entry permits. At the end of 2005, Alaskans held 11,167 limited entry permits, with rural Alaskans holding more than half of that number.

The Commission issued nearly 31,000 permanent permits, interim-use permits, and vessel licenses for the 2005 license year and reviewed more than 2,000 permit transfer requests. In fiscal year 2005, the Commission collected approximately 3.5 million dollars in revenues for the state.

The economic challenges facing the salmon industry have generated discussion about potential cost efficiencies in the fisheries, including consideration of options for reducing fleet size. The Commission continues to participate in this ongoing discussion with the public and policy makers, and to provide data to assist and inform the exploration of ideas. (See Decisions and Activities section for more information, page 5.)

By working with other state and federal agencies throughout 2005, the Commission continued to help Alaska fishermen protect their fishing privileges. For example, throughout 2005, Commissioner Twomley continued to serve on the National Taxpayer Advocacy Panel where he chaired the Multi-Lingual Initiative Committee. Commissioner Twomley worked to ensure remedies provided to taxpayers under the 1998 IRS Reform Act continue to be available and known to Alaska commercial fishermen and other taxpayers.

*THE LIMITED ENTRY ACT
DIRECTS THE COMMISSION TO
PROMOTE THE CONSERVATION
AND SUSTAINED YIELD MANAGE-
MENT OF ALASKA'S FISHERY
RESOURCES, AND THE ECONOMIC
HEALTH AND STABILITY OF THE
FISHING INDUSTRY, BY REGULAT-
ING ENTRY INTO THE STATE'S
COMMERCIAL FISHERIES.*

In addition to working with policy makers, agencies, fisheries organizations, and individual fishermen on the many pressing issues facing the fishing industry, the Commission continues to perform its primary functions of limiting fisheries, licensing fishermen and vessels, adjudicating claims, performing critical research, and providing data to the public and agencies.

In April of 2005, Governor Frank H. Murkowski tapped Commissioner Frank Homan to serve as chairman and appointed retired District Court Judge Peter Froehlich to serve as a Commissioner. In August, Commissioner Mary McDowell stepped down after serving ably since 1997. At the same time, new Commissioner Froehlich began serving and long-time Commissioner Bruce Twomley was reappointed by the Governor.



Major decisions and activities of the Commission in 2005 are outlined in this report. Prior years' activities, events, and decisions that affected the Commission's operations are highlighted in the appendices.

Alaska's fishing industry is vital to the state's economy and provides an important food source to the world. Alaskans must ensure our fisheries are developed wisely and sustained through sound management. We at the Commission continue our commitment to fulfill our statutory role in achieving this goal.



Photo courtesy of the Alaska Seafood Marketing Institute





Organization by Function

COMMERCIAL FISHERIES ENTRY COMMISSION

COMMISSIONERS

Frank Homan, Chairman
Peter Froehlich, Commissioner
Bruce Twomley, Commissioner

Personnel, Payroll, Travel,
Accounting, Purchasing, and
Property/Supply Management,
Budget Development

ADJUDICATIONS	LICENSING	RESEARCH	INFORMATION TECHNOLOGY
Frank Glass Project Leader	Karen Wells Project Leader	Kurt Schelle Project Leader	Ty McMichael Project Leader
• Application Processing and Classification • Administrative Hearings • Case Management • Decisions on Claims • Preparation of Official Record in Judicial Appeals • Residency and Fraud Investigations	• Entry and Interim-use Permit Renewal • Vessel Licensing • Permanent and Emergency Transfers • Permanent File Management • Revenue Accounting	• Fisheries Data Collection • Economic Profiles • New Limitations Research • Priority Hardship ("Point" System) Development and Testing • Optimum Number Research	• Licensing Systems • Fisheries Database • Technology Development for Adjudications and Research • Agency Technical Support • Website Design and Maintenance





Decisions and Activities

BRISTOL BAY OPTIMUM NUMBER

On October 5, 2005, the Commission adopted a regulation establishing an optimum number for the Bristol Bay salmon drift gillnet fishery. The regulation provides for an optimum number range of 900 to 1,400 permits.

The Commission's research staff completed work on an optimum number study for the Bristol Bay salmon drift gillnet fishery in 2004. The final report from the study recommended an optimum number range of 800 to 1,200 permits. That recommendation from the study became the basis of the Commission's original proposed optimum number regulation on October 22, 2004.

The original public comment period on the proposed optimum number ended on February 15, 2005, and public hearings were held in Anchorage, Dillingham, and Juneau. Many comments were received on the proposed regulation and some persons requested that the public comment period be extended. On February 12, 2005, the Commission extended the public comment period until June 22, 2005, and scheduled three additional teleconferenced hearings for communities in the local Bristol Bay area.

The Commission adopted the regulation for an optimum number range of 900 to 1,400 entry permits for the fishery. The optimum number adopted was slightly higher than the original proposal. The Commission made an upward adjustment after considering the comments received during the lengthy public comment period. The range is considerably below the 1,855 entry permits currently outstanding in the fishery. The optimum number regulation became effective on November 25, 2005.

*THE COMMISSION
ADOPTED THE REGULATION
FOR AN OPTIMUM NUMBER
RANGE OF 900 TO 1,400
ENTRY PERMITS FOR THE
BRISTOL BAY SALMON DRIFT
GILLNET FISHERY. THE
OPTIMUM NUMBER REGULA-
TION BECAME EFFECTIVE
ON NOVEMBER 25, 2005.*

The Commissioners emphasized the adoption of an optimum number does not automatically initiate a buyback or other fleet reduction programs. The optimum number range adopted represents potential fleet reduction targets CFEC believes it can defend against claims the fishery would be too exclusive. The optimum number does provide a basis for discussing remedies that might be used in the fishery. CFEC is available as a resource and to be part of any discussions regarding fleet reduction for the Bristol Bay drift gillnet fishery.

PERMIT FEES

In 2005, the Alaska legislature passed SB 93 (Chapter 16 SLA 2005) which revised the statute for annual renewal fees for limited entry and interim-use permits (AS 16.43.160) and also revised the statute for vessel license fees (AS 16.05.530).



SB 93 raised the maximum allowable base fee ("fee cap") for an annual permit renewal from \$300 to \$3,000 and made other changes in the law including making the nonresident fee differential a "per person" fee surcharge rather than a "per permit" fee differential. The change to a nonresident "per person" surcharge was needed to comply with a stipulated court order resulting from an Alaska Supreme Court decision.

As soon as possible after the effective date of the legislation, the Commission proposed new fee regulations in accordance with the revised law and held a public comment period on the proposal that included two teleconferenced public hearings. The public comment period started on May 21, 2005 and ended on September 1, 2005. During the public comment period, the Commission received extensive comment on the proposal including written comment and oral comment at the two hearings.

The final regulations adopted by the Commission on September 8, 2005, incorporated several of the suggested changes made during the public comment period. For example, the Commission decided to phase-in the new fee structure and cap permit fees at fee class 14 or \$1,050 for 2006; at fee class 27 or \$2,025 for 2007, and fee class 40 or \$3,000 for 2008 and after. The new regulations were used to establish permit renewal fees beginning with the 2006 licensing year.

**PERMIT RENEWAL
FEES ARE BASED ON A
FORMULA OF $4/10^{THS}$ OF
1% OF THE ESTIMATED
MARKET VALUE OF
THE PERMIT FOR
LIMITED FISHERIES AND
 $4/10^{THS}$ OF 1% OF THE
ESTIMATED AVERAGE
GROSS EARNINGS FOR
UNLIMITED FISHERIES.**

GULF OF ALASKA GROUND FISH FISHERIES

During 2004, the Commission continued to participate in the Gulf of Alaska (GOA) groundfish rationalization committee formed by the Board of Fisheries (Board) in 2003. The purpose of the committee was to explore options for managing groundfish fisheries in state waters contiguous to the Gulf of Alaska's Exclusive Economic Zone (EEZ). The North Pacific Fishery Management Council (NPFMC) has been working to develop a fishery rationalization plan for GOA groundfish in the EEZ. A major concern is that a rationalized fishery in the EEZ could lead to large spillover effects into state waters, further pressure on state waters fisheries, and deleterious changes in the nature of the state waters fisheries if the State fails to act. Many Alaska fishermen fish in both state waters and the EEZ and some groundfish fisheries occur in both state and federal waters during "parallel" openings.

In the fall of 2004, following additional input through the GOA groundfish committee, the Board decided to request new legislation that would enable the Board and the Commission to develop an alternate type of restricted access program that might better fit the needs of the GOA groundfish fisheries. The current limited entry law does not appear to be well-



suited for most of these fisheries, managed by quota, and did not meet many of the objectives of the Board's committee.

In 2005, legislation (SB 113) was introduced at the request of the Board, the Alaska Department of Fish and Game, and the Commission, to provide the Commission and the Board with general authority to develop dedicated access privilege programs for Gulf of Alaska groundfish fisheries as needed. The details of any specific program would need to be developed through a regulatory process that would require extensive public input. In concept, a dedicated access privilege would authorize the holder to harvest a portion of the overall harvest. The potential benefits of such a program include reducing the waste associated with a "derby fishery," allowing fishermen to harvest their share at times opportune to them, increasing safety, spreading out the harvest, improving ex-vessel prices, and improving profitability.

SB 113 passed the Senate in 2005, and, in September, the CFEC Commissioners participated in a meeting in Kodiak hosted by Representative Gabrielle LeDoux, discussing issues raised by SB113 and the GOA groundfish fisheries.

Opposition to the bill developed for a variety of reasons. Many persons believe that the bill was tied to the NPFMC process and would result in a program that would be detrimental to Alaskans. Some expressed concerns about corporate ownership and processor control of the fisheries.

The recently implemented federal Bering Sea-Aleutian Island (BSAI) crab rationalization program drew criticism from some fishermen because the bulk of the harvest quota shares were allocated to vessel owners and because the NPFMC program created processor quotas. Many fishermen are also concerned about the NPFMC's outline of alternatives for rationalizing the GOA groundfish fisheries for similar reasons. Opposition to these federal programs has also developed because of the potential negative economic impacts on some communities due to fleet consolidation. Such impacts have already been seen in some communities under the federal BSAI crab program.

For all of these reasons, passage of SB 113 during the 2006 session is unlikely. As of this writing, the bill will likely expire during the second session of the 24th Alaska Legislature.

The Commission remains committed to working with the fishing industry, the Alaska Board of Fisheries, the Department of Fish and Game, and other agencies to develop programs that will benefit Alaskan fishermen and those dependent upon them.



OTHER ISSUES

On November 18, 2005, Commissioner Twomley participated in a panel discussion, "Salmon Consolidation: Are Co-ops Dead or is Buy-Back Ahead?" at Fish Expo in Seattle. This topic surfaced in the wake of the Alaska Supreme Court's ruling in *Grunert v. State*, 109 P.3d 924 (Alaska 2005) [discussed on page 10 of this report], and the Commission's proposal of an optimum number for the Bristol Bay salmon drift gill net fishery (discussed on page 5 of this report).





Adjudications

OVERVIEW

The primary purpose of the Commission's Adjudications Section is to evaluate, classify and adjudicate applications for limited entry permits. Entry permit applicants are classified in a system that measures each applicant's past participation and economic dependence on the fishery. Applicants are then ranked in relation to the classifications of all other applicants. Entry permits are then issued at successively lower classification levels until the established maximum number of permits has been issued for that fishery.

Adjudication functions are performed by two paralegals, three hearing officers and the Commissioners. The paralegals evaluate entry permit applications and make the initial determination on accepting, denying and classifying them. An applicant may challenge the denial or classification of an entry permit application by requesting a hearing. Commission hearing officers conduct administrative hearings and issue decisions based on the record.

Hearings may also be requested if the Commission's Licensing Section denies requests for emergency transfers or permanent transfers of entry permits. Emergency transfer hearings are held and decided by paralegals. Permanent transfer hearings are held and decided by hearing officers.

The Commissioners review each paralegal and hearing officer decision and may order further review and hearings on their own motion or upon the request of an affected party, and may take formal action to modify, reverse or affirm the decisions.

Commission hearing officers also preside over hearings arising from enforcement (notice to show cause) proceedings, where the Commission may impose fines, or revoke or suspend the permits of those who attempt to mislead the Commission with false information. These hearings are held in the presence of the Commissioners.

FROM 1990 THROUGH 2004, THE COMMISSION ISSUED OVER 1,700 FINAL DECISIONS THEREBY DECIDING CASES AT A RATE FASTER THAN APPLICANTS FILED NEW APPEALS AND REDUCING ITS CASELOAD TO 230.

ADMINISTRATIVE PROCEEDINGS AND DECISIONS

The Adjudications staff issued 66 decisions in 2005. Forty-eight decisions were issued on permit applications, 15 on permit transfers and 3 on notices to show cause, fines and miscellaneous matters. At the end of the year, 95 entry permit application cases were pending before hearing officers.

The Commissioners adjudicated a total of 86 cases during 2005. Seventy-two cases were adjudicated on permit applications, 11 on permit transfers and 3 on notices to show cause,



Adjudications

finer and miscellaneous matters. At the end of the year, 135 entry permit application cases were pending before the Commissioners.

By the end of 2005, Commissioners and Hearing Officers made substantial progress through the Commission's adjudication caseload. Looking back to 1990, as the result of the *Wassillie* settlement (authorizing hundreds of new applications in the salmon fisheries) and a series of Alaska Supreme Court cases during the 1980's, the Commission's caseload had risen to nearly 900 cases. Additionally, since 1990, the Commission has been required by statute to limit 26 additional fisheries generating thousands of new applications for entry permits. From 1990 through 2004, the Commission issued over 1,700 final decisions thereby deciding cases at a rate faster than applicants filed new appeals and reducing its caseload to 230.

JUDICIAL RULINGS AND APPEALS

In *Grunert v. State*, 109 P.3d 924 (Alaska 2005), the Alaska Supreme Court held that a Board of Fisheries regulation designed to reduce the number of participants in the Chignik salmon purse seine fishery by allowing permit holders to form a cooperative was invalid because it conflicted with provisions in the Limited Entry Act that require active participation by permit holders.

In *State v. Dupier*, 118 P.3d 1039 (Alaska 2005), the Alaska Supreme Court upheld the state's requirement that those who catch halibut and sablefish in the Exclusive Economic Zone (EEZ) off of Alaska must hold CFEC-issued interim-use permits before landing their catch in Alaska.

In *Johnson v. State*, CFEC, M.O.J. No. 1199 (Alaska 2005), the Alaska Supreme Court affirmed the CFEC's decision to deny Johnson's extraordinary circumstances claim and, by applying the court's 2004 decision in *Simpson v. State*, CFEC, 101 P.3d 604 (Alaska 2004), denied Johnson's challenge to the maximum and optimum numbers established for the Northern Southeast Inside sablefish longline fishery.



Photo courtesy of the Alaska Seafood Marketing Institute





Licensing

OVERVIEW

The Commission's Licensing Section is responsible for issuance of annual permit and vessel licenses required for participation in Alaska's commercial fisheries. The Section strives to provide commercial fishermen with renewal forms, permits, and vessel licenses in a timely manner to avoid lost fishing time. Additionally, the Licensing Section handles replacement of lost licenses, tracking of vessel ownership changes, salmon net area registrations, and issuance of emergency and permanent transfers.

The Licensing Section serves as a source of information and a reference for commercial fishermen about laws and regulations affecting the fishing industry. Besides keeping up to date with licensing requirements and actions of the Commission itself, licensing staff maintain contact with ADF&G, Division of Investments, National Marine Fisheries Service and other agencies in order to keep track of changes in relevant laws and regulations. Some of these changes include actions by the Commission and the legislature to bring fisheries under entry limitation or moratoria; implementation of new types of licensing mechanisms; and accommodate regulatory changes by the Board of Fisheries and actions by federal agencies to create or revise moratoria or restricted access programs such as License Limitation (LLP), Individual Fishing Quota (IFQ) and Community Development Quota (CDQ) programs.

*THE COMMISSION
ISSUED NEARLY 31,000
PERMANENT PERMITS,
INTERIM-USE PERMITS,
AND VESSEL LICENSES
FOR THE 2005 LICENSE
YEAR AND REVIEWED
MORE THAN 2,000
PERMIT TRANSFER
REQUESTS.*

While keeping up with additional licensing responsibilities associated with new regulatory developments, licensing staff must also respond to thousands of information requests annually with current information. In coordination with the Commission's Information Technology Section, the Licensing Section is continually streamlining procedures, automating processing wherever possible and looking for innovative ways to efficiently meet the ever-increasing informational demands.

At the end of 2005, the total number of issued permits and vessel licenses decreased slightly from the 2004 license year. The decrease may be partially attributed to fisheries in which the annual licensing requirements have been waived due to season-long closures and non-transferable permits lapsing due to nonpayment of renewal fees for a two year period. The number of permits issued is also impacted each time a new fishery is limited and applications for permanent permits are adjudicated and denied and by fleet consolidations occurring under federal rationalization programs.



FEE STRUCTURE

During the 2001 legislative session, the Alaska Legislature passed a bill revising the fee structure for annual renewal of commercial fishing limited entry and interim-use permits, effective for the 2002 season. The new fee structure was necessitated by court requirements in the *Carlson v. State* lawsuit, a class action by nonresident fishermen challenging Alaska's law that set annual nonresident commercial fishing fees at three times the resident fees.

From 2002 to 2004, each permit in a given fee class was assessed an annual base fee. Nonresident permits were assessed an additional amount calculated according to the *Carlson* ruling. In 2005, that amount was \$115, calculated on a "per person" basis instead of "per permit".

During the 2005 legislative session, the Alaska Legislature passed Senate Bill 93 making changes to permit and vessel license fees. The changes raised the cap on commercial fishing permits from \$300 to \$3,000 and the vessel fees from 5 fee categories to 13 with a \$900 cap.

**AFTER SEVEN YEARS,
THE COMMISSION
HAS ISSUED DEMERIT
POINTS TO 492
FISHERMEN**

PERMIT TRANSFERS FOR FLEET CONSOLIDATION

In 2003, the legislature passed HB286 allowing holders of salmon permits to hold up to two permits in a given fishery for the purpose of fleet consolidation. The Commission adopted regulations and procedures for this new ability to hold two permits in a salmon fishery. At the end of 2005, 44 fishermen held two permits in 8 salmon fisheries: Southeastern Alaska purse seine and drift gillnet, Prince William Sound purse seine, Kodiak purse seine and set gillnet, Peninsula Aleutian purse seine and drift gillnet, and Bristol Bay drift gillnet.

DEMERIT POINTS

In 1998, the Alaska Legislature enacted a law, AS 16.43.850-16.43.895, which established a demerit point system for suspending commercial fishing privileges based on convictions for fishing violations in the salmon fisheries. Under this law, the Commission must suspend a salmon permit holder's commercial fishing privileges for a period of one to three years if certain threshold levels of demerit points are accumulated in a three-year period.

After seven years, the Commission has issued demerit points to 492 fishermen and suspended two salmon permits in Bristol Bay. More than 70% of the demerit points assessed have been for violations occurring in the Bristol Bay salmon drift gillnet fishery.

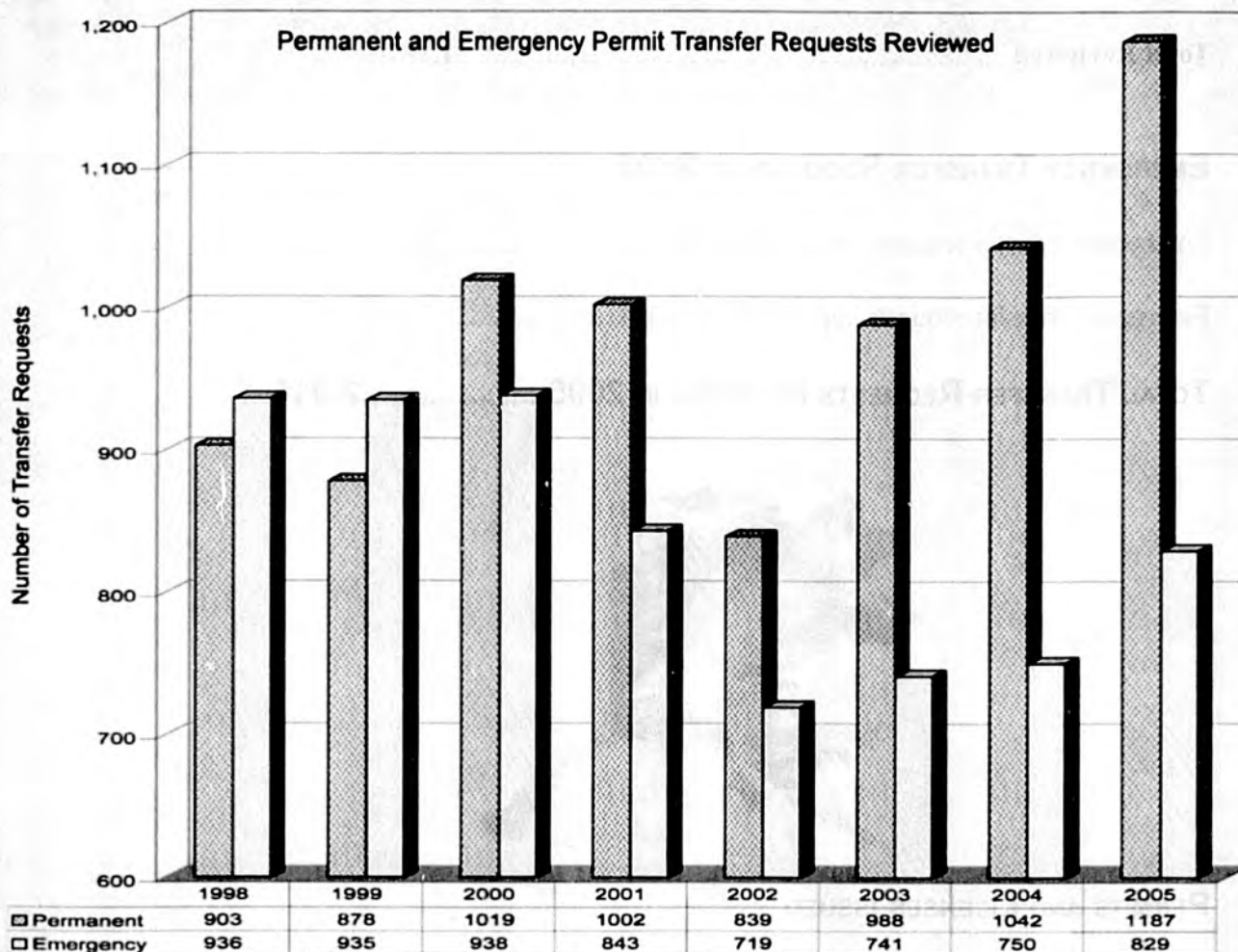


VESSEL ENTRY PERMITS

In 2005, licensing staff issued the first vessel entry permits in the Bering Sea hair crab and weathervane scallop fisheries. As a result of this new system for issuing and tracking vessel entry permits, new forms were created for transfer of these permits and substitution vessels.

PERMIT TRANSFER REQUESTS

During 2005, the Commission reviewed 2,016 requests for permanent and emergency transfers of permits. These included 829 emergency transfer requests and 1,187 permanent transfer requests. A breakdown of transfer requests by type of transfer is shown below:



(From CFEC reports B1420P-A and B1425P-C, E, J)



PERMANENT TRANSFER REQUESTS IN 2005

Standard transfers approved.....	1,102
Survivorship transfers to spouse approved	25
Foreclosure transfers by loan agencies approved	15
Total Approved.....	1,142
Denied Transfers	29
Withdrawn transfer requests	16
Total Reviewed	1,187

EMERGENCY TRANSFER REQUESTS IN 2005

Emergency transfer requests reviewed in 2005	829
Emergency transfer requests approved in 2005	789

TOTAL TRANSFER REQUESTS REVIEWED IN 2005.....2,016

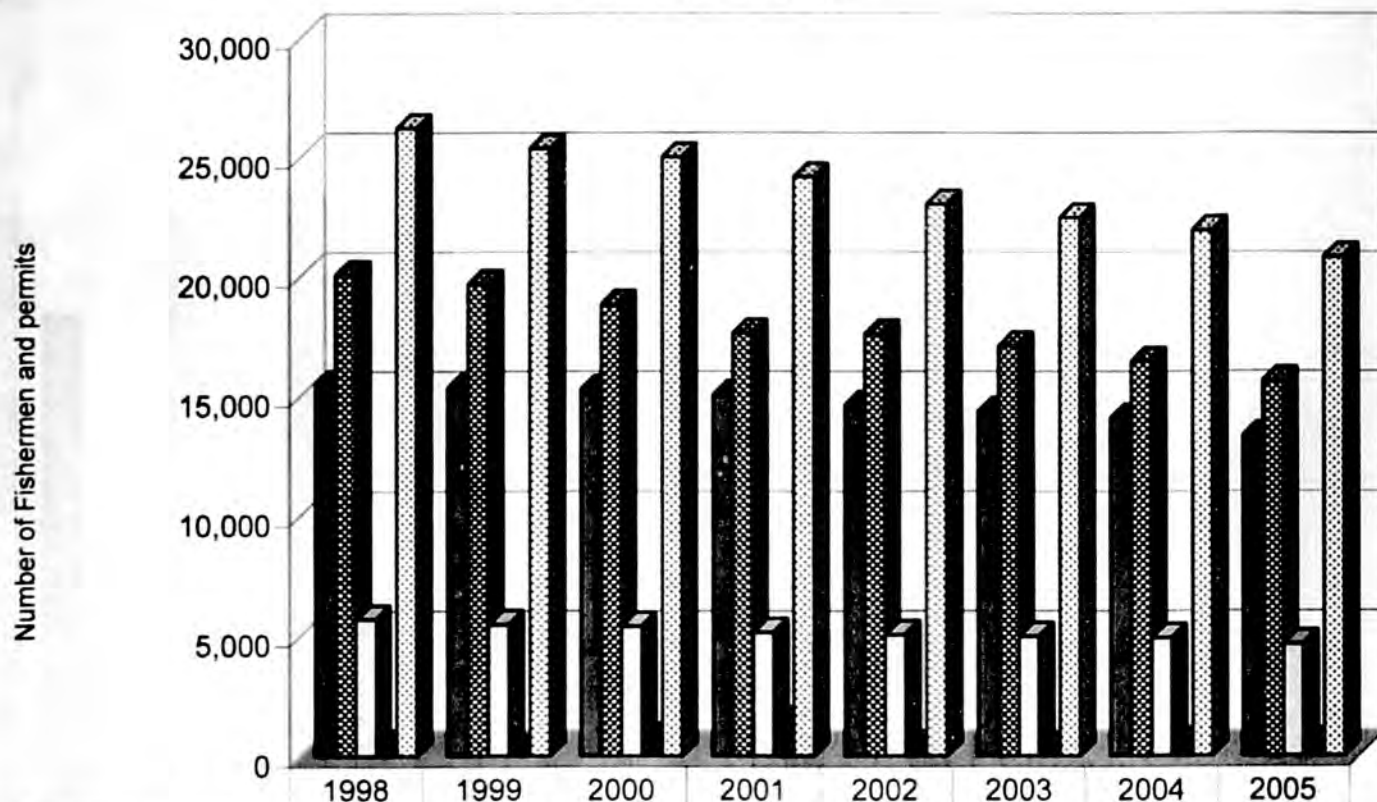


PERMITS AND LICENSES ISSUED

The following graphs provide data on permits and vessel licenses by year:



Permits Issued by License Year



	1998	1999	2000	2001	2002	2003	2004	2005
■ Fishermen	15,460	15,332	15,257	15,041	14,611	14,349	14,075	13,324
▨ Resident Permits	20,052	19,666	18,822	17,620	17,587	17,085	16,440	15,616
□ NonResident Permits	5,689	5,464	5,393	5,139	5,032	4,974	4,905	4,650
■ Fees Waived*	478	231	783	1,412	400	395	584	532
▨ Total Permits Issued	26,219	25,361	24,998	24,171	23,019	22,454	21,929	20,798

(From CFEC report B1440P-C. Includes Interim-Use, Interim-Entry **, Entry and Vessel Entry Permits)

The numbers of permits in this table are preliminary and may increase further due to late renewals of entry permits. Annual renewal fees for entry permits must be paid unless waived by the commission. Failure to renew an entry permit for a period of two years from the year of last renewal can result in forfeiture of the entry permit.

Licensing year refers to the fishing year for which the license or permit is issued, regardless of when fees were paid. Number of permits is higher than number of fishermen as some individuals hold permits in more than one fishery.

Breakdown between resident/nonresident determined by resident category of fees paid.

Data include permits issued in both open access fisheries and limited fisheries.

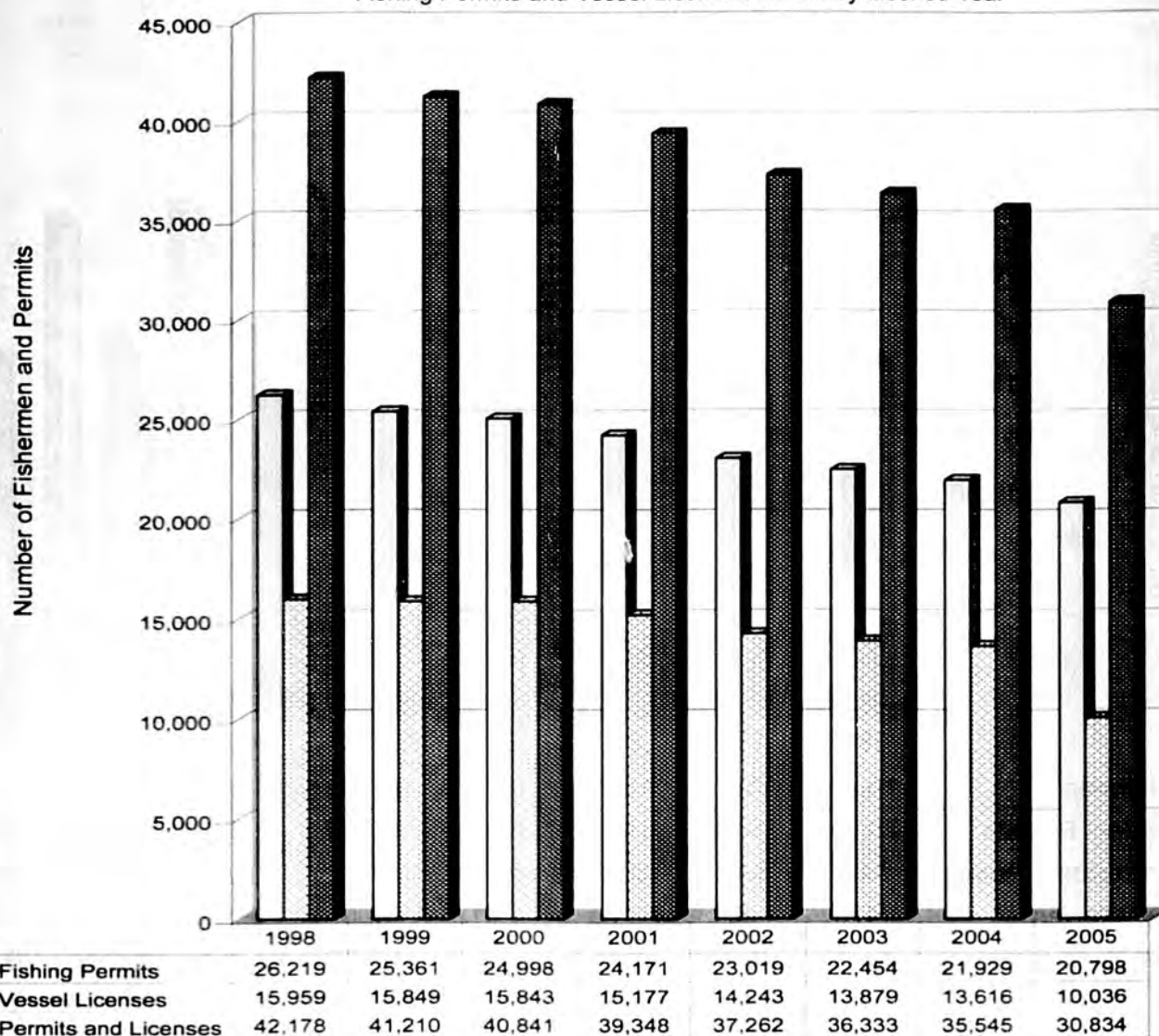
Includes only permits with fees paid by 12/31/2005 or fees waived.

* Number of permits for which the Commission waived fees due to a fishery not opening.

** "Interim-Entry" permit refers to an Interim-Use Permit issued to an applicant for a permanent limited entry permit in a limited fishery.



Fishing Permits and Vessel Licenses Issued by License Year



(From CFEC report B1440P-C. Includes Interim-Use, Interim-Entry **, Entry and Vessel Entry Permits)

The numbers of permits in this table are preliminary and may increase further due to late renewals of entry permits. Annual renewal fees for entry permits must be paid unless waived by the commission. Failure to renew an entry permit for a period of two years from the year of last renewal can result in forfeiture of the entry permit.

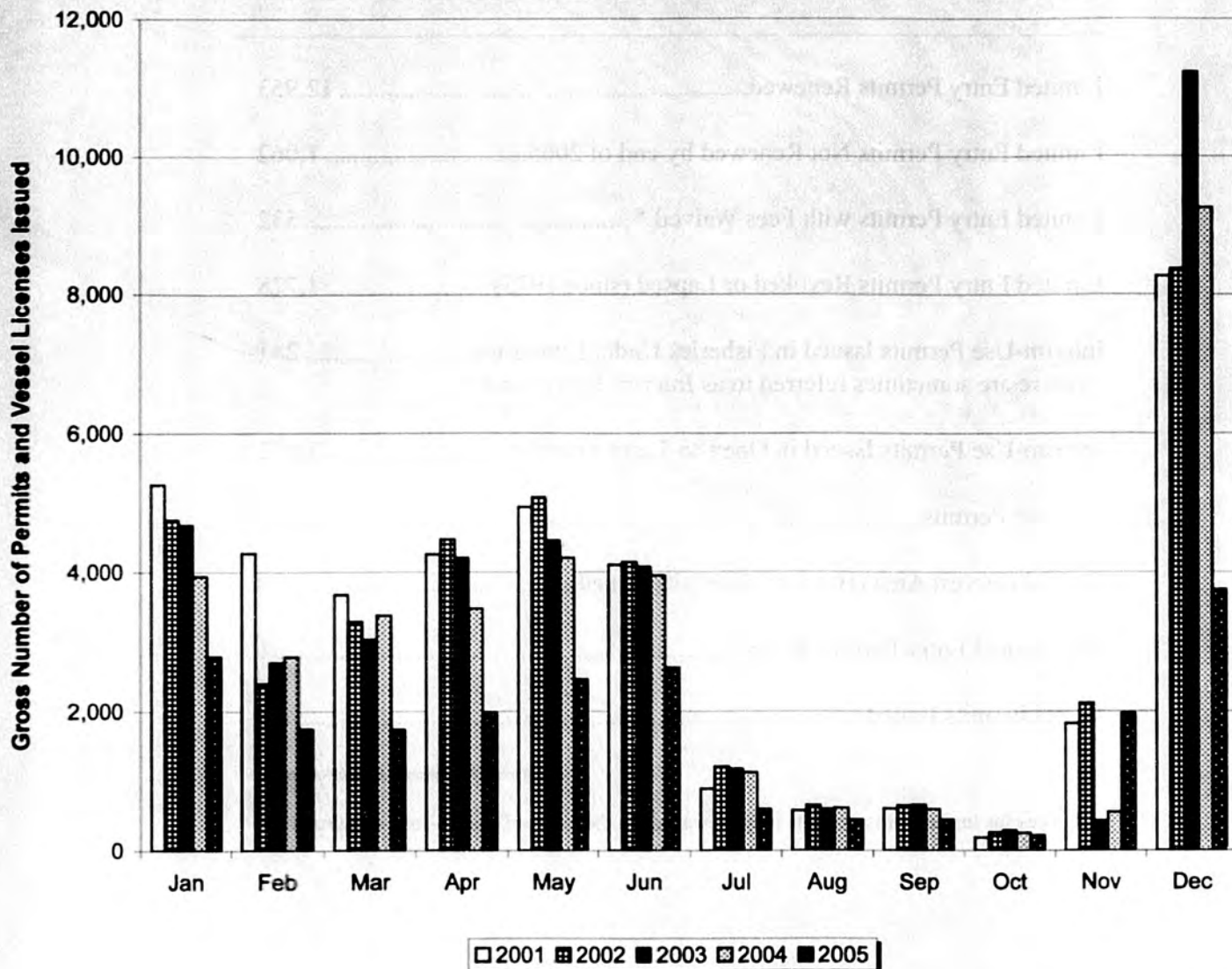
Data include permits issued in both open access fisheries and limited fisheries and vessel licenses issued by license year. License year refers to the fishing year for which the license or permit is issued, regardless of when the fee was paid.

Includes only permits with fees paid by 12/31/2005 or fees waived.

** "Interim-Entry" permit refers to an Interim-Use Permit issued to an applicant for a permanent limited entry permit in a limited fishery.



Permit and Vessel Licenses Issued by Month



(From CFEC reports B1430P-A and B2430P-A)



SUMMARY OF PERMITTING ACTIVITY - 2005 LICENSING YEAR

Limited Entry Permits Renewed.....	12,953
Limited Entry Permits Not Renewed by end of 2005.....	1,062
Limited Entry Permits with Fees Waived *	532
Limited Entry Permits Revoked or Lapsed (since 1975).....	1,728
Interim-Use Permits Issued in Fisheries Under Limitation	281
(these are sometimes referred to as Interim-Entry Permits)	
Interim-Use Permits Issued in Open-to-Entry Fisheries.....	7,002
Landing Permits	24
Special Harvest Area (Hatchery) Permits Issued.....	20
Educational Entry Permits Issued	1
Vessel Permits Issued.....	8

(From CFEC reports B1440P-A and B)

* Fees for limited entry permits may be waived in the event of season-long closures.



VESSEL LICENSE FEES

The first table below shows the number of 2005 vessel licenses issued during calendar year 2005. The second table shows the 2006 vessel licenses issued in 2005 under the new fee structure. Both tables show the licenses issued and the revenue generated by fee category.

2005 FEE CATEGORIES

Category Based on Overall Length of Vessel	Fee Based on Overall Length of Vessel	Number of Vessels Licensed in Category	Revenue Generated from License Fees for Calendar Year 2005
A - 25' and under	\$20	2,229	\$44,580
B - over 25' - 50'	\$50	3,694	\$184,700
C - over 50' - 75'	\$100	381	\$38,100
D - over 75' - 150'	\$250	68	\$17,000
E - over 150' - 250'	\$500	5	\$2,500
F - over 250'	\$750	1	\$750
Total		6,378	\$287,630

(From CFEC report B0110P-A)

2006 FEE CATEGORIES

Category Based on Overall Length of Vessel	Fee Based on Overall Length of Vessel	Number of Vessels Licensed in Category	Revenue Generated from License Fees for Calendar Year 2005
A - 25' and under	\$24	1,042	\$25,008
B - over 25' - 50'	\$60	1,798	\$107,880
C - over 50' - 75'	\$120	384	\$46,080
D - over 75' - 100'	\$225	125	\$28,125
E - over 100' - 125'	\$300	129	\$38,700
F - over 125' - 150'	\$375	47	\$17,625
G - over 150' - 175'	\$450	33	\$14,850
H - over 175' - 200'	\$525	24	\$12,600
I - over 200' - 225'	\$600	10	\$6,000
J - over 225' - 250'	\$675	5	\$3,375
K - over 250' - 275'	\$750	7	\$5,250
L - over 275' - 300'	\$825	4	\$3,300
M - over 300'	\$900	15	\$13,500
Total		3,623	\$322,293
2005 & 2006 Fee Category Combined Total		<u>10,001</u>	<u>\$609,923</u>





Research

OVERVIEW

The Research Section provides the studies and analyses needed by the Commission. The Research Section, coupled with the Commission's IT Section, also produces basic economic data on Alaska's fisheries. The Section produces both standard and specialized reports. Commission research reports have been used to help inform a wide range of fishery management policy questions.

In 2005, the Commission's Research staff was involved in many projects. These projects included efforts to monitor trends in Alaska's fisheries, to evaluate the need for access controls in particular fisheries, and to provide other agencies and users with needed data and analyses.

The following paragraphs provide some highlights of 2005 Research activities.

NEW LIMITATIONS

There were no new fisheries limited in 2005. The Research staff produced internal confidential briefing reports that thoroughly examined several fisheries and monitored other Alaska fisheries through basic statistical reports. However, the Commission did not propose any new limited entry programs in 2005.

OPTIMUM NUMBERS AND SALMON RESTRUCTURING

On October 5, 2005 the Commission adopted a regulation establishing an optimum number range for the Bristol Bay salmon drift gillnet fishery. The regulation provides for an optimum number range of 900 to 1,400 permits. The optimum number range adopted was slightly higher than the original proposal which was based on a 2004 report prepared by the Commission's Research staff. The optimum number range is well below the 1,855 entry permits currently outstanding in the fishery.

The Commission continues to receive comments from the public on alternatives for reducing the fleet size in the Bristol Bay salmon drift gillnet fishery. Some persons would prefer to let the fleet size be determined by individual permit holder decisions with no further government action. Some persons favor developing a fisherman-funded permit buyback program, particularly if it could be subsidized. Some persons would prefer some form of a "permit-stacking" option.

Permit-stacking is a way to reduce the number of fishing operations in a fishery without reducing the number of permits. The Alaska Board of Fisheries (Board) has experimented



with a form of permit-stacking in the Bristol Bay salmon drift gillnet fishery beginning in 2004.

The Board's current permit-stacking regulation is 5 AAC 06.333. The regulation allows two CFEC permit holders fishing from the same vessel to use 200 fathoms of gear under certain conditions. The unit-of-gear for a vessel with a single permit holder is 150 fathoms. While there are no definitive data on the usage of this new regulatory option, the available evidence suggests that permit-stacking has increased since the regulation was first implemented.

Some believe that the use of permit-stacking to reduce the size of the Bristol Bay salmon drift gillnet fleet would increase substantially if an individual who holds two CFEC permits could fish an additional 50 fathoms of gear. They argue that this type of arrangement would give persons more of an incentive to buy a second permit for the fishery. Currently, Alaska's limited entry law provides that a person may hold two permits in a salmon fishery for fleet consolidation purposes, but the person may receive no additional fishing privileges for holding the second permit (see AS 16.43.140(c)(5)).

*FISHING GROUPS, THE
LEGISLATURE, AND THE
ALASKA BOARD OF
FISHERIES HAVE ALL BEEN
LOOKING AT WAYS TO RE-
STRUCTURE THE
SALMON INDUSTRY*

In 2005, a bill was introduced in the Alaska Legislature that would give the Board the authority to adopt regulations providing incremental additional use-privileges to a person who holds two CFEC permits for a fishery. The current version of the draft law is SCS CSHB 251(RES). The bill passed the House in 2005 and will be considered by the Senate during the 2006 session. The bill gives the Board the legal authority to adopt regulations that would provide incentives for more fleet consolidation.

The dramatic growth in farmed salmon production in recent years has led to a large decline in the average ex-vessel prices for commercially-harvested wild salmon. Fishing groups, the legislature, and the Alaska Board of Fisheries have all been looking at ways to restructure the salmon industry to help cut costs and make the salmon fisheries more profitable in this new market climate.

During 2005, the head of the Commission's Research Section served as part of the support staff for the Alaska Board of Fisheries' (Board) Salmon Industry Restructuring Panel. During 2005, the panel produced a draft *Report and Recommendations to the Alaska Board of Fisheries and the Alaska State Legislature* which should be available in 2006.

The Commission remains committed to help fishing groups, the public, the Alaska Board of Fisheries, and other policy makers explore salmon restructuring options and issues. The



Commission is open to any proposal that would lead to improvements for Alaska salmon fishermen and their families. Nevertheless, the viability of different alternatives for industry restructuring may ultimately depend upon a satisfactory resolution of some of the issues raised by the Alaska Supreme Court in *Johns v. State*, CFEC, 758 P.2d 1256 (1988), and *Grunert v. State*, 109 P.3d 924 (Alaska 2005).

FEE ESTIMATES AND REVENUE FORECASTS

In 2005, the Alaska legislature revised the statute for annual renewal fees for limited entry permits and interim-use permits (AS 16.43.160) and also revised the statute for vessel license fees (AS 16.05.530).

During the legislative process, the Research Section was very involved in making estimates of renewal fee and revenue forecasts for several alternative scenarios for changing the law and the regulations governing fees. New scenarios were analyzed as questions arose among legislators.

After the bill passed and became law, the Commission proposed new fee regulations in accordance with the revised law and held an extensive public comment period on the proposal that included teleconferenced public hearings. During the public comment period on the proposed regulations, other suggestions arose including new alternatives for defining permit fisheries. This led to more scenarios which required additional fee estimates and revenue forecasts.

The final regulations adopted by the Commission incorporated several of the suggested changes made during the public comment period. The new regulations were used to establish permit renewal fees beginning with the 2006 license year.

GULF OF ALASKA GROUND FISH PROPOSED LEGISLATION – SB113

During 2005, the Research staff produced some preliminary background data on some Gulf of Alaska (GOA) groundfish fisheries to help inform discussions on SB 113, which is a proposed law that would provide the Commission and the Board with the authority to develop an alternative type of limited entry program(s) for the GOA groundfish fisheries in state waters. The current version of the draft bill is CSSB 113(RES).

The idea for the legislation originally came from the Alaska Board of Fisheries' (Board) GOA groundfish rationalization committee. The head of the Commission's Research Section served as part of the staff support for the committee.



The current limited entry law does not appear to be well-suited for many of these fisheries and did not meet many of the objectives of the Board's committee. SB 113 was introduced in 2005 at the request of the Alaska Board of Fisheries, the Alaska Department of Fish and Game, and the Commission. While the bill passed the Senate during the 2005 session, it soon ran into substantial opposition. It now appears that the bill will expire during the second session of the 24th Alaska legislature.

OTHER PROJECTS AND REPORTS

The Research staff produced monthly permit value estimates for the Department of Commerce, Community and Economic Development and other users. The following is a listing of some non-confidential reports that CFEC staff members prepared during 2005.

Bristol Bay Salmon Drift Gillnet and Set Gillnet Fisheries: Permit Holdings and Participation Rates by Age and Resident-Type, 1975-2004 (05-2N) by Stefanie Carlson.

Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2004 (05-3N) by Cathy Tide, Nancy Free-Sloan, Stefanie Carlson and Kurt Iverson

Executive Summary - Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2004 (05-3N-EXEC) by Cathy Tide, Nancy Free-Sloan, Stefanie Carlson and Kurt Iverson

Changes in Roe Herring Markets: A Review of Available Evidence (05-5N) by Stefanie Carlson.

Resident-Types of CFEC Permit Holders in the 2005 Chignik Salmon Purse Seine Fishery (05-6N) by Nancy Free-Sloan.

These reports are available on the CFEC web site (<http://www.cfec.state.ak.us>). Copies of the reports may be obtained from the Commercial Fisheries Entry Commission, Research Section, 8800 Glacier Highway #109, P.O. Box 110302, Juneau, AK 99811-0302.

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CFEC

Commercial Fisheries Entry Commission

WELCOME

The Alaska Commercial Fisheries Entry Commission (CFEC) helps to conserve and maintain the economic health of Alaska's commercial fisheries by limiting the number of participating fishers. We issue permits and vessel licenses to qualified individuals in both limited and unlimited fisheries, and we provide due process hearings and appeals.

If you wish to contact in-season managers of Alaska commercial fisheries or find rules controlling fishers and their harvest during Alaska's commercial fishing seasons, see the Commercial Fisheries Division of the Alaska Dept. of Fish & Game under Related Sites on this page.

Highlights

- CFEC Website Redesign
- 2006 Permit Fees
- Permit Holder Database
- Bristol Bay
- Public Notices & News Releases

Permits

- Forms
- Search Permit Database
- Permit Value
- Permit List

Transfers

- Forms
- Permanent Transfer
- Emergency Transfer
- Estate Information
- Intent to Transfer List
- Intent to Transfer Database

Adjudications

- Limited Entry Fishery Status Reports
- Commission Decisions & Judicial Appeals

Related Sites

- Fish & Game
- Commercial Fisheries Division
- Commercial Fishing Loan Fund
- More Fish Links

Fishery Statistics

- Fishery Participation & Earnings
- Permits & Permit Holders
- Commercial & Charter Vessels
- Fishery Codes

Vessels

- Forms
- Commercial Vessel Database
- Sport Vessel Database

Publications

- Annual Reports
- Publications by Year
- Publications by Subject
- Brochures

Regulations

- Proposed Regulations
- CFEC Regulations
- CFEC Statutes
- Fish & Game Regulations

Commercial Fisheries Entry Commission
8800 Glacier Hwy. #109
P.O. Box 110302 Juneau, AK 99811-0302
Telephone: (907) 789-6180 Fax: (907) 789-6170

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Revenue

OVERVIEW

The Commission budget is almost entirely funded by revenue generated by the agency. Revenues generated by the Commission come primarily from issuance of commercial fishing permits and vessel licenses. Additional revenues originate from research and data processing services and reports requested by the public, fishing organizations, fisheries research groups, and other agencies. Total revenue for fiscal year 2005 (July 1, 2004 – June 30, 2005) was about \$3.5 million.

Senate Bill 93, which passed the legislature during the 2005 session and was signed by the Governor, makes two significant changes that will increase CFEC revenues beginning with the 2006 commercial fisheries licensing year (calendar year). The first is to raise the cap on annual fishing permit renewals to \$3,000. This mainly affects those higher value fisheries that have benefited in the past from the lower cap. The statute calls for fees to reflect the economic return from different fisheries. The second is a modification to the annual commercial fishing vessel license fee. The fee structure was expanded from 5 fee classes to 13 fee classes at 25 foot increments beginning at 0-25 feet.

*SINCE 1997,
CFEC REVENUES
HAVE DECLINED BY
ABOUT 34%*

Following the effective date of SB 93, the Commission proposed regulations, held a public comment period including several public hearings, and received oral and written testimony. In response to public comments, the Commission adopted an annual permit renewal schedule to accommodate a phased-in approach. The permit renewal fee for the 2006 licensing year will be capped at \$1,050, for 2007 at \$2,025, and for 2008 at \$3,000.

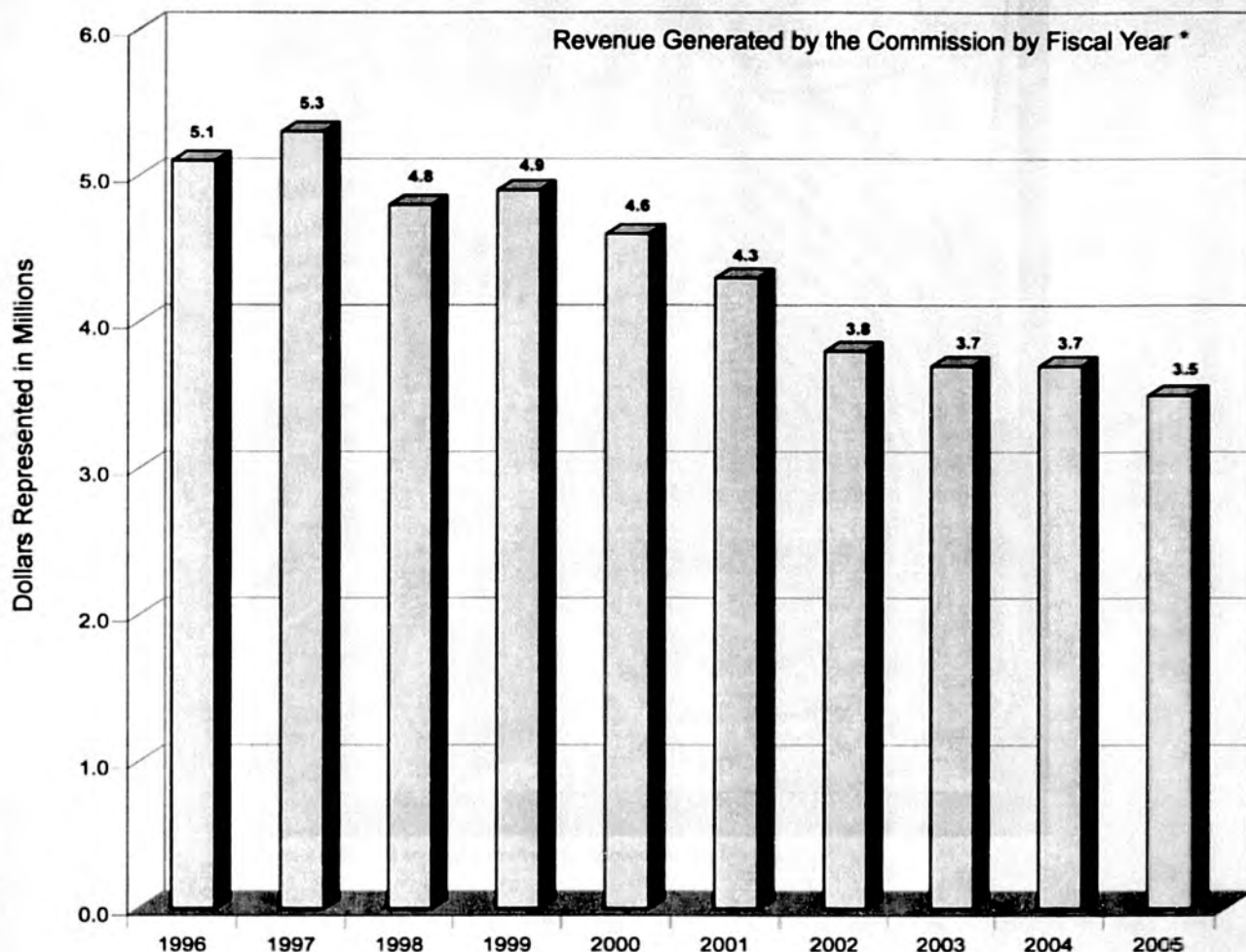
The permit renewal fees are based on a formula of $4/10^{\text{th}}$ s of 1% of the estimated market value of the permit for limited fisheries and $4/10^{\text{th}}$ s of 1% of the estimated average gross earnings for unlimited fisheries. The permit value represents the marketplace value of a limited entry permit. The phased in approach will only affect high value fisheries. Those fisheries that are below the \$1,050 cap for 2006 will not see an increase by raising the cap in future years unless their economic value increases to a point where they are pushed higher under the formula. Permit renewal fee classes range from \$75 to \$1,050 for 2006, with the majority being \$375 or less. The 2006 fee increase impacted those fisheries that would have paid higher fees in the past if not for the previous fee cap. Based on this phased-in approach, we anticipate revenues generated above the CFEC obligations to be approximately \$1.5 million in each of the next three fiscal years.

The legislature has used this additional revenue to fund programs that contribute to the support of Alaska's commercial fisheries.



The long-term decline in permit and vessel license renewals is expected to continue because of federal and state fleet consolidation programs. For example, the Bering Sea crab consolidation starting in 2005 will reduce the number of vessels and skippers applying for renewals in 2006. This will likely impact the FY06 revenues, however, it is too early to calculate with any certainty, and is not reflected in our projections at this time. Other federal fisheries, such as Gulf of Alaska and Bering Sea groundfish, are expected to be affected in the future. In state waters, fleet consolidation programs are being discussed for the Southeast salmon purse seine fishery, the Bristol Bay salmon drift gillnet fishery and the Gulf of Alaska groundfish fishery.

REVENUE GENERATED BY CFEC



Note: These data reflect permit fees, vessel license fees, limited entry application fees, refunds and miscellaneous revenue.
* Revised from earlier Annual Reports





Appendices

LIST OF EMPLOYEE NAMES AND ELECTRONIC MAIL ADDRESSES.....27

DECISIONS AND ACTIVITIES, CALENDAR YEARS 2000 - 2004 28



Photo courtesy of the Alaska Seafood Marketing Institute



Employee Names and Electronic Mail Addresses *

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	Mary McDowell	Commissioner	**
	Bruce Twomley	Commissioner	bruce_twomley@cfec.state.ak.us
	Heather Carlton	Administrative Clerk	**
	Beccy Charles	Commission Secretary II	beccy_charles@cfec.state.ak.us
	Susan Haymes	Law Specialist II	susan_haymes@cfec.state.ak.us
	Sheri Paddock	Administrative Clerk	sheri_paddock@cfec.state.ak.us
	Shirley Penrose	Administrative Officer	shirley_penrose@cfec.state.ak.us
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	Dorothy Frary	Managing Paralegal	dorothy_frary@cfec.state.ak.us
	Joyce James	Hearing Officer II	joyce_james@cfec.state.ak.us
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	Laura Joralemon	Analyst Programmer V	**
	Brendan Kelly	Analyst Programmer III	**
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	Brant Oliphant	Analyst Programmer III	brant_oliphant@cfec.state.ak.us
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	Cathy Tide	Research Analyst III	cathy_tide@cfec.state.ak.us

* This list includes calendar year 2005 full-time, seasonal and part-time employees

** These people are no longer employed at the Commission



DECISIONS AND ACTIVITIES IN PRIOR YEARS

CALENDAR YEAR 2004

- Conducted research, held public hearings, and adopted regulations limiting entry into the statewide weathervane scallop fishery under a vessel-based system. Conducted an application period and received 10 applications. Completed adjudication of 9 applications and issued 8 permanent vessel entry permits.
- Conducted a limited entry application period for the Bering Sea hair crab fishery and received 20 applications. Completed adjudication of 14 applications and issued 12 permanent vessel entry permits.
- Conducted a limited entry application period for the Kodiak bairdi Tanner crab pot crab fishery and received 233 applications. Completed adjudication of 205 applications and issued 136 permanent entry permits.
- Completed The Bristol Bay Salmon Drift Gillnet Optimum Number Report. Proposed an optimum number of entry permits for the Bristol Bay drift gillnet fishery and held public hearings.
- Participated in the meetings of the Joint Legislative Salmon Industry Task Force and the Alaska Board of Fisheries' Salmon Industry Task Force.
- Addressed the Kenai Working Group on limited entry issues.
- Addressed the Southeast Inter-Tribal Fish and Wildlife Conference on Commercial and Subsistence Fisheries on limited entry issues.
- Addressed the Bristol Bay Native Corporation's Leadership Conference on the optimum number proposal for the Bristol Bay drift gillnet fishery.
- Participated in a discussion of the proposed Bristol Bay drift gillnet optimum number hosted by the Alaska Independent Fishermen's Marketing Association at Fish Expo in Seattle.
- Participated in the Gulf of Alaska Groundfish Rationalization Committee formed by the Board of Fisheries.
- Continued to maintain a professional relationship with the IRS to help Alaska fishermen protect their fishing privileges.



-
- With the Alaska Attorney General, we continued to defend the state against elimination of non-resident fee differential in the *Carlson* case.

CALENDAR YEAR 2003

- Conducted research, held public hearings, and adopted regulations limiting entry into the Bering Sea hair crab fishery under a vessel-based system.
- Conducted research, held public hearings, and adopted regulations establishing a point system for the Kodiak bairdi Tanner crab pot fishery.
- Continued work on optimum number study for the Bristol Bay salmon drift gillnet fishery.
- Continued efforts to examine options for reducing the size of salmon fleets, throughout the year, by participating in discussions of and as a resource to the Joint Legislative Salmon Industry Task Force, and participating on the advisory panel for an Analysis of Options to Restructure the Bristol Bay Salmon Fishery, an independent study funded and published by the Bristol Bay Economic Development Corporation.
- Addressed the International Association for the Study of Common Property on *License Limitation in Alaska's Commercial Fisheries*.
- Participated in a meeting of the Salmon for Success Summit in Juneau on the status of limited entry permits in Southeast communities.
- Participated in discussions of and as a resource to the Gulf of Alaska groundfish rationalization committee formed by the Board of Fisheries to explore options for managing statewaters groundfish fisheries.
- Continued to maintain a professional relationship with the IRS to help Alaska fishermen protect their fishing privileges.
- With the Alaska Attorney General, the Commission continued to defend the state against the *Carlson* case, a class action challenging the fee differential charged to nonresidents for annual renewal of Alaska commercial fishing permits.



CALENDAR YEAR 2002

- Conducted research, held public hearings, and adopted regulations limiting entry into the Kodiak bairdi Tanner crab pot fishery.
- Received seven applications for the Kodiak food and bait herring gillnet and seine combined fishery and four applications for the Kodiak food and bait herring trawl fishery. Completed final adjudication of all of the applications for both fisheries and issued five limited entry permits for the Kodiak food and bait herring gillnet and seine combined fishery and four for the Kodiak food and bait herring trawl fishery.
- Adopted regulations implementing the new law (Chapter 134 SLA 2002) that allowed a person to hold up to two salmon permits for purposes of fleet consolidation.
- Continued work on optimum number study for the Bristol Bay salmon drift gillnet fishery.
- Continued efforts to examine options for reducing the size of salmon fleets, throughout the year, by participating in the Governor's 2002 Salmon Summit in Kodiak, Alaska, by participating in discussions of and as a resource to the Joint Legislative Salmon Industry Task Force, participating in a meeting of the Yukon River Drainage Fishermen's Association to discuss options for improving their salmon fishery, participating in a Workshop on Options for Restructuring Alaska's Salmon Fisheries at the University of Alaska in Anchorage, and participating in workshops at the Seattle Fish Expo dealing with the restructuring of Alaska salmon's fisheries.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to maintain a professional relationship with the IRS to help Alaska fishermen protect their fishing privileges.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.



CALENDAR YEAR 2001

- Conducted research, held public hearings, and adopted regulations limiting entry into the Kodiak food and bait gillnet and seine combined fishery and the Kodiak food and bait herring trawl fishery.
- Conducted research, held public hearings, and adopted regulations establishing point systems for the Kodiak food and bait herring fisheries.
- Received 116 applications for the Southeast Alaska geoduck clam dive fishery. Completed final adjudication of 107 of the applications and issued 37 limited entry permits.
- Received 391 applications for the Southeast Alaska sea cucumber dive fishery. Completed final adjudication of 387 of the applications and issued 383 limited entry permits.
- Adopted regulations implementing the new fee structure for the annual renewal of limited entry permits and interim-use permits in preparation for the 2002 licensing year.
- Began preliminary work on an optimum number study for the Bristol Bay salmon drift gillnet fishery
- Continued efforts to examine options for reducing the size of salmon fleets, throughout the year, by participating in a meeting of the Bristol Bay Fisheries Committee (sponsored by the Bristol Bay Native Association); on panels at Fish Expo sponsored by individual fishermen and United Fishermen of Alaska (UFA); and in a statewide teleconference to discuss various options identified by the UFA and Representative Drew Scalzi.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to maintain a professional relationship with the IRS to help Alaska fishermen protect their fishing privileges, including the completion of a jointly produced brochure entitled, *Resources for Alaska Commercial Fishers*.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.



CALENDAR YEAR 2000

- Conducted research, held public hearings, and adopted regulations limiting entry into Southeast Alaska sea urchin and sea cucumber dive fisheries.
- Conducted research, held public hearings, and adopted regulations establishing point systems for the Southeast Alaska sea urchin, sea cucumber and geoduck clam dive fisheries.
- Received 90 applications for the Southeast Alaska sea urchin dive fishery. Completed final adjudication of 82 of the applications and issued 76 limited entry permits.
- Conducted a public comment period and adopted a regulation establishing an optimum number for the Northern Southeast Inside sablefish longline fishery.
- The legislature adopted House Bill 429 which extended the vessel moratoria in the Bering Sea hair crab fishery and the Alaska weathervane scallop fishery until July 1, 2003, and July 1, 2004, respectively.
- Completed and published a report discussing the issue of transferability of limited entry permits.
- Participated in a discussion on Bristol Bay fleet reduction hosted by the Bristol Bay Native Association and the Bristol Bay Native Corporation.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to meet with IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate attempted forced sales of limited entry permits.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.

YEARS PRIOR TO 2000

Information on prior years can be found in previous annual reports or on the Internet at the Commission website: <http://www.cfec.state.ak.us>.



Alaska State Legislature

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Toll Free (800) 665-2689
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HOUSE FISHERIES COMMITTEE Representative Paul Seaton, Chairman

Rep. Seaton has asked that this letter be made available to House Fisheries Members. This letter from Greg Winegar of the Division of Investments describes the Division's loan guarantee program. It has been made available to the Yukon Delta Fisheries Development Association and can be made available to other organizations in the state.



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Alaska Division of Investments

Sarah Palin, Governor
Emil Notti, Commissioner
Greg Winegar, Director

February 8, 2007

The Honorable Paul Seaton
House Special Committee on Fisheries
Alaska House of Representatives
State Capitol, Room 102
Juneau, AK 99801

Dear Representative Seaton:

Re: Loan Guarantee Program

As you have requested, below is background information on a Loan Guarantee program we created in 1996 when the Yukon Delta Fisheries Development Association (YDFDA) expressed a desire to make it easier for harvesters in their area to utilize the Commercial Fishing Revolving Loan Fund (CFRLF).

As you probably know, the Alaska Division of Investments (ADI) has been operating the CFRLF since 1972 and has provided loans to thousands of Alaskan commercial fishing harvesters through this program. The fund requires no General Fund appropriations and operates solely from monies which revolve back into the fund from repayments. The CFRLF has approximately 15 million dollars available for loans each year. Loans to purchase limited entry permits are the program's top priority.

The Loan Guarantee program was created to assist harvesters in the Yukon Delta region that were having difficulty accessing the CFRLF because they lacked sufficient monies to cover the down payment. Having sufficient cash to cover start up costs and the down payment is a challenge in many rural areas of the state. Through this program, YDFDA is able to set aside a limited amount of funds to guarantee small portions (10% - 20%) of loans to applicants they select. YDFDA screens applicants utilizing criteria they develop to meet their organization's goals. The applications are submitted to ADI along with a letter indicating the amount of the loan they are willing to guarantee. ADI is then able to consider making a larger CFRLF loan based on the guarantee and thus help applicants that otherwise would not qualify. ADI processes the applications and handles all of the required paperwork and accounting.

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

Telephone: (907) 465-2510 Fax: (907) 465-2103 Text Telephone: (907) 465-5437

Toll Free Within Alaska: 1 (800) 478-LOAN (5626)

Email: investments@commerce.state.ak.us Website: <http://www.commerce.state.ak.us/investments/>

ADI is very pleased with the results of this program. Since 1996 a total of 27 loans have been made. YDFDA has been able to assist harvesters in their region for a very limited amount of capital invested.

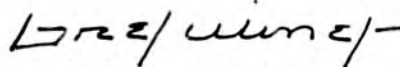
This program offers a number of advantages over an organization setting up a whole new program on their own. I have listed several of the advantages below:

1. A small amount of money can be used to leverage existing CFRLF funds to reach a greater number of borrowers than the participating organization would otherwise be able to reach.
2. Limited entry permits may be used to secure Loan Guarantee loans. Under existing law only ADI and the Commercial Fishing and Agriculture Bank can secure loans with limited entry permits.
3. The participating organization bears no administrative cost to run the loan program. ADI administrative costs are paid out of the CFRLF. This allows the participating organization to focus its resources on selecting participants that will accomplish its goals.
4. There is no need to re-invent the wheel. ADI has existing staff to handle all aspects of a loan program, including loan approval, loan closing, accounting, collections, and reporting. Loan policies and procedures are in place and have been utilized effectively over the past 33 years.
5. Selection criteria for applicants are at the sole discretion of the participating organization. ADI only considers guarantee applications that have been submitted by the participating organization.

Although the Loan Guarantee program was specifically created for YDFDA, the program would also work for other organizations. ADI would be happy to meet with any group that wishes to look into setting up a similar program for their region.

I hope that this information is helpful. Please let me know if you or other committee members wish to discuss this program in more detail.

Cordially,



Greg Winegar, Director

cc: Al Clough, Deputy Commissioner
Department of Commerce, Community, and Economic Development

Stephaine Morland • Statistics
Shirley Penrose • Admin

⑦ Nels Anderson program

✓ # of Active vs

Jeff Wistler

Fisheries Jan 24th

30 Years of Limited Entry

Presented by
Frank Homan, Chairman
Commercial Fisheries Entry Commission

Alaska Constitution
Article VIII, Section 15
No Exclusive Right of Fishery

*No exclusive right or special privilege of
fishery shall be created or authorized in
the natural waters of the State.*

1972 Constitutional Amendment Allowing for Limited Entry

This section does not restrict the power of the State to limit entry into any fishery for purposes of resource conservation, to prevent economic distress among fishermen and those dependent upon them for a livelihood, and to promote the efficient development of aquaculture in the State.

Limited Entry Law

- Enacted in 1973
- Permits may only be issued to natural persons who are gear operators
- Permits may not be leased
- Permits cannot be encumbered or used as collateral for loans
- Most limited entry permits are freely transferable
- Permits are a privilege, not property

Transferability

- Permit holders are free to transfer to family members or any other individual with the ability to participate in the fishery
- Transfers may occur by gift, inheritance, or sale (value determined by private sector market)
- Allows permits to remain in families across generations rather than revert back to the state
- Resulted in maintaining high percentages of residents in Alaska's fisheries while meeting constitutional requirement of equal access

Commercial Fisheries Entry Commission

Commission

3 commissioners,
4 staff

Adjudications

1 lead,
2 paralegals,
2 hearing officers

Licensing

1 lead,
1 transfer officer,
3 full-time staff

Research

1 lead,
5 analysts

Information Technology

1 lead,
5 programmers

Limited Entry Permits Held by Alaskans & Non-Alaskans

	Alaska Held	Nonresident Held	Total
Permits Issued	13,294 (82%)	2,970 (18%)	16,264 (100%)
Year-end 2005	11,171 (77%)	3,365 (23%)	14,536 (100%)

*Salmon 1975
+ river fishing*

Permit Holdings at Initial Issuance & Year-end 2005

	Permits Issued		Year-end 2005	
Nonresident	2,970	(18%)	3,365	(23%)
AK Rural Local	7,528	(46%)	5,539	(38%)
AK Rural Nonlocal	678	(4%)	807	(6%)
AK Urban Local	4,227	(26%)	3,475	(24%)
AK Urban Nonlocal	861	(5%)	1,284	(9%)
State Auth Lenders	0	(0%)	66	(<1%)
Total	16,264	(100%)	14,536	(100%)

Summary of Net Change in Permit Ownership, 1975-2005

	Permits Issued	Transfer	Migrate	Cancel	Year-end 2005
Nonresident	2,970	-99	783	-289	3,365
AK Rural Local	7,528	-605	-784	-600	5,539
AK Rural Nonlocal	678	192	-4	-59	807
AK Urban Local	4,227	224	-305	-671	3,475
AK Urban Nonlocal	861	222	310	-109	1,284
State Authorized Lenders (foreclosures)					66

Alaska Communities with Highest Number of Issued Permits

	2000 Population	Pmts. Issued	Pmts. 2005
Ketchikan	7,922	752	439
Anchorage	267,283	663	744
Juneau	30,711	663	445
Cordova	2,454	633	489
Petersburg	3,224	628	731
Kodiak	6,334	591	574
Sitka	8,835	532	591
Wrangell	2,308	367	319
Togiak	809	360	291
Dillingham	2,466	360	252

Alaska Communities with Highest Number of Year-end 2005 Permits

	2000 Population	Pmts. Issued	Pmts. 2005
Anchorage	260,283	663	744
Fairbanks	3,224	628	731
Sitka	8,835	532	591
Kodiak	6,334	591	574
Homer	3,946	254	514
Cordova	2,454	633	489
Juneau	30,711	663	445
Ketchikan	7,922	752	439
Wrangell	2,308	367	319
Togiak	809	360	291

Alaska Communities with the Greatest Net *Decrease* in Permit Holdings

	2000 Population	Pmts. Issued	Change	Pmts. 2005
Ketchikan	7,922	752	-313	439
Juneau	30,711	663	-218	445
Cordova	2,454	633	-144	489
Dillingham	2,466	360	-108	252
Angeon	572	100	-69	31
Togiak	809	360	-69	291
Point Baker	35	86	-61	25
Kake	710	114	-55	59
Hoonah	860	169	-54	115
Metlakatla	1,375	108	-52	56

Alaska Communities with the Greatest Net *Increase* in Permit Holdings

	2000 Population	Pmts. Issued	Change	Pmts. 2005
Homer	3,946	254	260	514
Kasilof	471	43	112	155
Petersburg	3,224	628	103	731
Wasilla	5,469	28	100	128
Anchorage	260,283	663	81	744
Sitka	8,835	532	59	591
Nikiski	4,327	2	51	53
Palmer	4,533	33	34	67
Girdwood	260,283	4	33	37
Soldotna	3,759	111	24	135

Alaska Communities with the Greatest No. of Permits Per Capita

	2000 Population	Pmts. 2005	Pct. of pop
Elfin Cove	32	25	78%
Point Baker	35	25	71%
Meyers Chuck	21	13	62%
Ugashik	11	6	55%
Togiak	809	291	36%
Kasilof	471	155	33%
Nelson Lagoon	83	27	33%
South Naknek	137	43	31%
Yakutat	680	194	29%

	2000 Population	Pmts. 2005	Pct. of pop
Manokotak	399	111	28%
Port Alexander	81	22	27%
Chignik Lagoon	103	26	25%
Edna Bay	49	12	24%
Platinum	41	10	24%
Petersburg	3,224	731	23%
Pelican	163	38	23%
Mekoryuk	210	46	22%
Egegik	116	26	22%
Cordova	2,454	489	20%
Goodnews Bay	230	46	20%

Transfer Rates

Year	#Trans- ferable permits	# Transfers from initial issues / #Transferable permits	#Transfers / #Transferable permits
1975	6,762	0.08	0.09
1980	10,040	0.05	0.11
1985	11,173	0.03	0.10
1990	11,911	0.02	0.08
1995	12,461	0.02	0.08
2000	13,400	0.01	0.07
2005	13,653	0.01	0.08

Transfer Acquisition Method by Resident Type of Recipient

	Gift	Sale	Trade	Other	Total
Nonresident	2,042 29%	4,796 67%	92 1%	232 3%	7,162
AK Rural	3,958 49%	3,616 45%	122 2%	322 4%	8,019
Local					
AK Rural	477	1,073	27	77	1,654
Nonlocal	29%	65%	2%	5%	
AK Urban	1,635	3,921	118	191	5,866
Local	28%	67%	2%	3%	
AK Urban	765	1,866	38	129	2,798
Nonlocal	27%	67%	1%	5%	

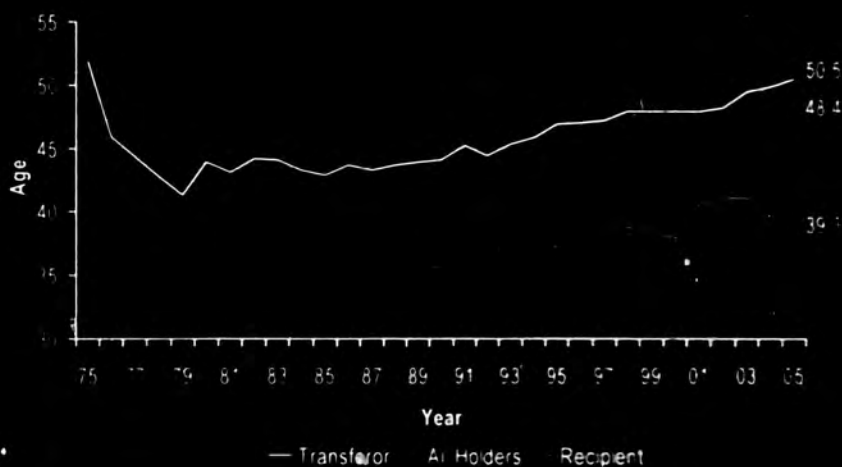
Relationship in Transfers by Resident Type of Recipient

	Friend/ Partner	Immed. Family	Other Relative	Other	Total
Nonresident	1,465 21%	1,849 26%	321 5%	3,527 49%	7,162
AK Rural	1,400	3,895 49%	512	2,211	8,019
Local	18%		6%	28%	
AK Rural	238	487	71	858	1,654
Nonlocal	14%	29%	4%	52%	
AK Urban	1,306	1,611	220	2,729	5,866
Local	22%	28%	4%	47%	
AK Urban	498	758	120	1,422	2,798
Nonlocal	18%	27%	4%	51%	

Sources of Permit Financing by Resident Type of Recipient

	Self/ Other	Bank	AK Auth Lenders	Trans- feror	Proc- essor	Comb- ination
Non- resident	3,612 75%	421 9%	26 1%	502 11%	86 2%	149 3%
AK Rural Local	2,068 57%	220 6%	933 26%	220 6%	46 1%	129 4%
AK Rural Nonlocal	532 50%	45 4%	405 38%	59 6%	8 1%	24 2%
AK Urban Local	2,423 62%	235 6%	909 23%	228 6%	40 1%	86 2%
AK Urban Nonlocal	1,025 55%	81 4%	589 32%	120 6%	5 <1%	46 3%

Mean Ages for Permit Transferors, Transfer Recipients, and All Holders



Evidence of Success

- Limited entry protected Alaska's fisheries from an influx of new fishermen from West Coast fisheries reduced by court decisions and stock conditions.
- Alaska's limited entry fisheries are generating positive economic benefits that may not exist under open access.
- System has survived constitutional challenges despite severe constitutional constraints.

Efforts Toward Restructuring Salmon Fisheries

- Experimental Board regulations for a Chignik cooperative
- Board allowed 2 permit holders to fish a single operation with additional gear in Bristol Bay
- Board now may consider allowing a person who holds 2 permits to fish additional gear
- Southeast seine private buyback enabling legislation

Explore Refinements

- Traditional limited entry was designed for Alaska's salmon fisheries, characterized by owner/operator participants and escapement goal management.
- The system is less useful in fisheries managed through guideline harvest levels or quota.
- Legislation will be needed to allow the state to implement any other programs.

Legal Constraints on Options Alaska Supreme Court Decisions

- State v. Ostrosky (1983) and Johns v. CFEC (1988)
 - "[T]o be constitutional, a limited entry system should impinge as little as possible on the open fishery clauses consistent with the constitutional purposes of limited entry, namely, prevention of economic distress to fishermen and resource conservation."
- Grunert v. State (2005)
 - Allowing persons who are not actually fishing to benefit from the fishery resource is "inconsistent with the Limited Entry Act's purpose and policy"
- State v. Enserch (1989)
 - Statute providing a 50% hiring preference to residents of economically distressed zones violates Alaska's equal protection clause
- McDowell v. State (1989)
 - Rural preference in times of limited resource violates the equal access clauses of Article VIII of the Alaska Constitution

www.cfec.state.ak.us

Commercial Fisheries Entry Commission

WELCOME

The Alaska Commercial Fisheries Entry Commission (CFEC) helps to conserve and maintain the economic health of Alaska's commercial fisheries by limiting the number of participating fishers. We issue permits and vessel licenses to qualified individuals in both limited and unlimited fisheries, and we provide due process hearings and appeals.

If you wish to contact in-season managers of Alaska commercial fisheries or find rules controlling fishers and their harvest during Alaska's commercial fishing seasons, see the Commercial Fisheries Division of the Alaska Dept. of Fish & Game under Related Sites on this page.

Highlights

- 2007 Permit Fees
- Permit Holder Database
- Bristol Bay
- Public Notices & News Releases
- 30 Years of Limited Entry

Fishery Statistics

- Fishery Participation & Earnings
- Permits & Permit Holders
- Commercial Vessels
- Fishery Codes

Vessels

- Forms
- Commercial Vessel Database
- Sport Vessel Database

Publications

Permits

- Forms
- Search Permit Database
- Permit Value
- Dement Points

Transfers

- Forms
- Permanent Transfer
- Emergency Transfer
- Estate Information
- Intent to Transfer List
- Intent to Transfer Database

Adjudications

- Limited Entry Fishery Status Reports
- Carlson Address Change Form
- Commission Decisions & Judicial Appeals

Related Sites

Let's call the meeting to order

Let the record reflect that it is 8:30 a.m. on Wednesday, January 24th

Present are:

Representative Harris

Representative Wilson

Representative Ledoux

✓ Representative Edgmon

Representative Holmes

✓ Representative Johansen

✓ And myself, Representative Seaton

At this time I would like to remind everyone to turn off their cell phones and address questions through the chair.

/ **Today we will hear an overview of the
Commercial Fisheries Entry
Commission, ²the Commercial Fishing
Loan program in the Division of
Investments, and ³the Fisherman's Fund
in the Department of Labor**

There will be no meeting on Friday.

Reasons for Latent
points -

② Number of Active
Points in the
Fishery

↓
Differentiate between active/
latent →

C.F.E.C. Ratios: if fishery
comes back then
Points will be deducted

C.F.E.C.

Analysis of BB points
when B. and decision

to allow 2 points
per boat -

Did this activate
latent points.

If so, how many?