

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 147 3157

Burro Creek Farms, Inc. (BCF)

BCF incorporated in 1979 and has corporate offices in Skagway.

BCF has a 5-member Board of Directors consisting of individuals interested in the enhancement of salmon.

BCF operates the following hatchery:

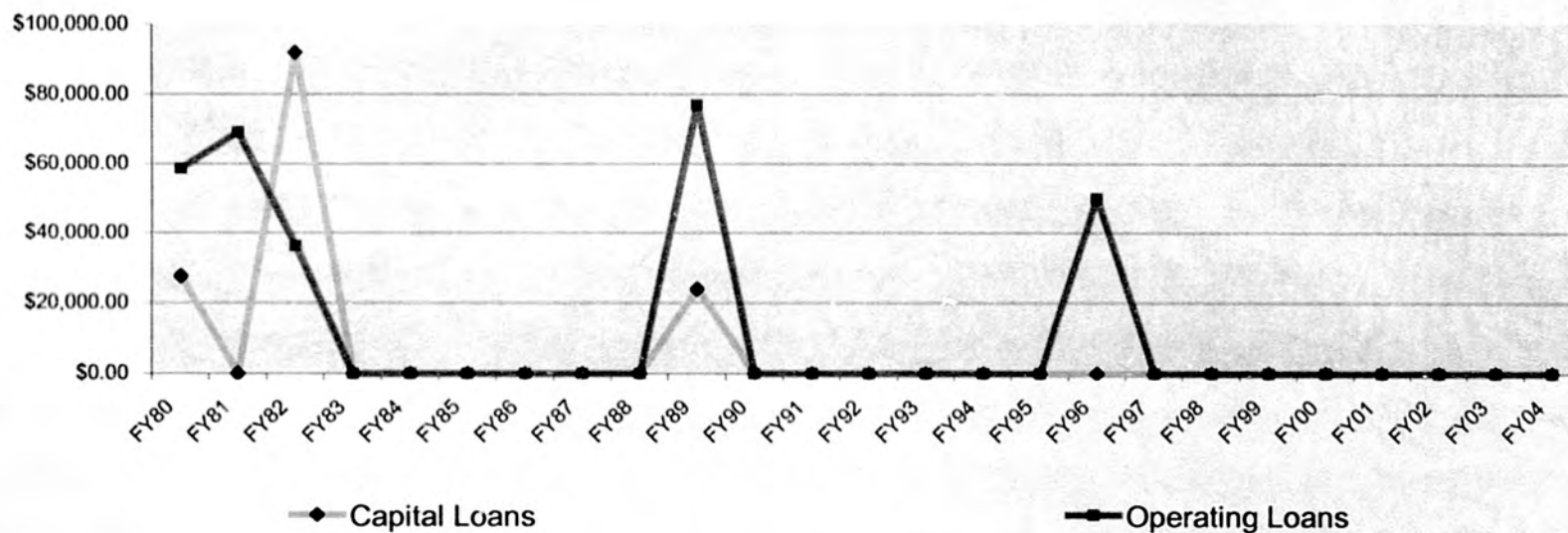
	Permitted Production in Millions				
	Pink	Chum	Sockeye	Coho	Chinook
Burro Creek Hatchery – Across from Skagway		3.0 *		.10	.10

* If 3.0M chum are not available, BCF may fill remaining capacity with pinks.

Operating Loans

- In the development stages, BCF's permitted egg capacity was limited until their ability to culture fish was proven. With their success, BCF was given stepped increases over several years to reach full capacity.
- BCF found it necessary to change species and use different run timing to meet cost recovery goals. This added to the length of time necessary to complete brood stock development.
- In FY89 there was an unanticipated revenue shortfall, and in FY96 a full time hatchery manager was employed up until FY00.
- BCF is phasing out hatchery operation. Adult Chinook are harvested and the eggs are sold to City of Skagway and ADF&G-Sport Fish. Eggs are incubated at another facility and smolt are released in the Skagway area.
- BCF paid off their loans in FY04.

**Burro Creek Farms, Inc.
Capital & Operating Loan Disbursements**



Capital Loans	
FY80 - FY82	Construction of Burro Creek Hatchery
FY89	Added rearing space

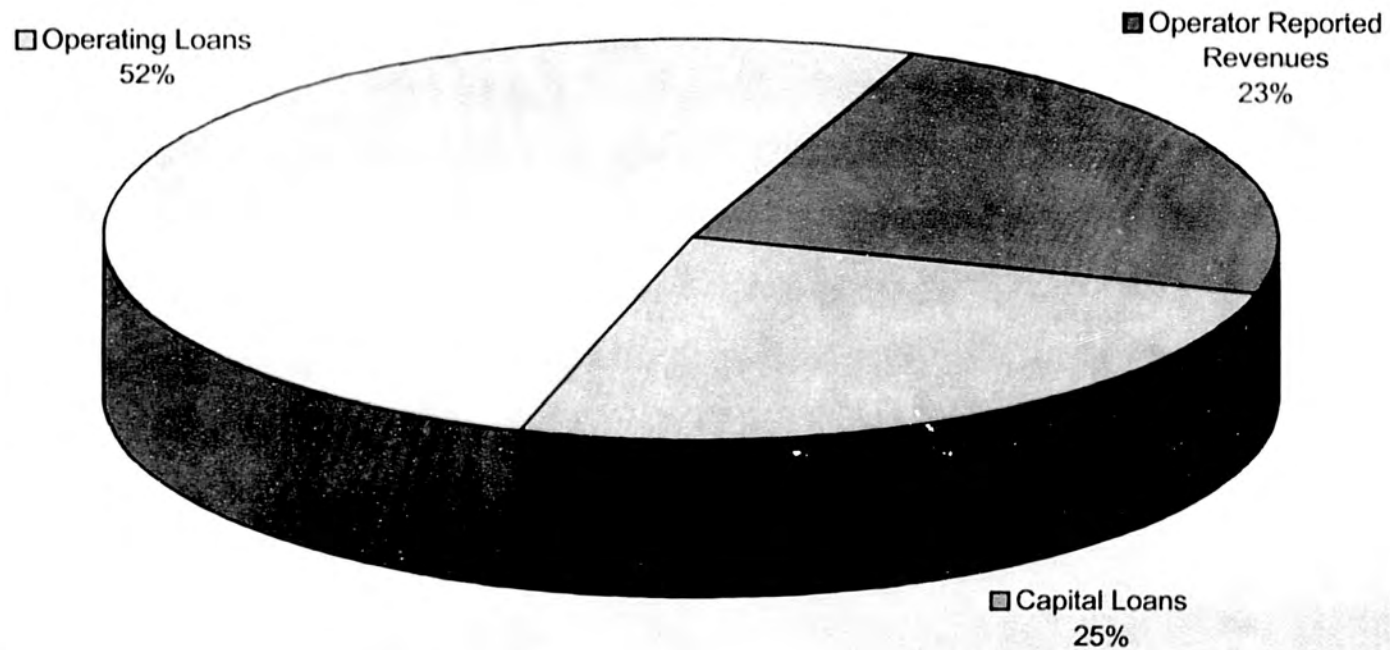
Burro Creek Farms, Inc.

Fiscal Year	Capital Loans	Operating Loans	Total Loans	Repayments
FY80	27,500	58,700	86,200	0
FY81	0	68,975	68,975	0
FY82	92,000	36,200	128,200	0
FY83	0	0	0	0
FY84	0	0	0	0
FY85	0	0	0	0
FY86	0	0	0	28,271
FY87	0	0	0	18,527
FY88	0	0	0	0
FY89	24,000	77,000	101,000	68,045
FY90	0	0	0	71,677
FY91	0	0	0	26,924
FY92	0	0	0	26,919
FY93	0	0	0	26,919
FY94	0	0	0	139,529
FY95	0	0	0	8,903
FY96	0	50,000	50,000	32,615
FY97	0	0	0	8,903
FY98	0	0	0	8,903
FY99	0	0	0	8,903
FY00	0	0	0	8,903
FY01	0	0	0	8,903
FY02	0	0	0	65,847
FY03	0	0	0	5,781
FY04	0	0	0	44,236
	\$143,500	\$290,875	\$434,375	\$608,708

CY80	0
CY81	0
CY82	0
CY83	0
CY84	0
CY85	0
CY86	1,745
CY87	880
CY88	1,516
CY89	2,073
CY90	1,050
CY91	606
CY92	15,646
CY93	1,384
CY94	0
CY95	4,762
CY96	0
CY97	10,497
CY98	1,646
CY99	36,177
CY00	0
CY01	20,750
CY02	33,143
CY03	0
CY04	0
	\$131,875

*Note – Small repayments of unused loan proceeds are not listed. Operator reported revenues include cost recovery, carcass sales, donations, grants, interest, etc.

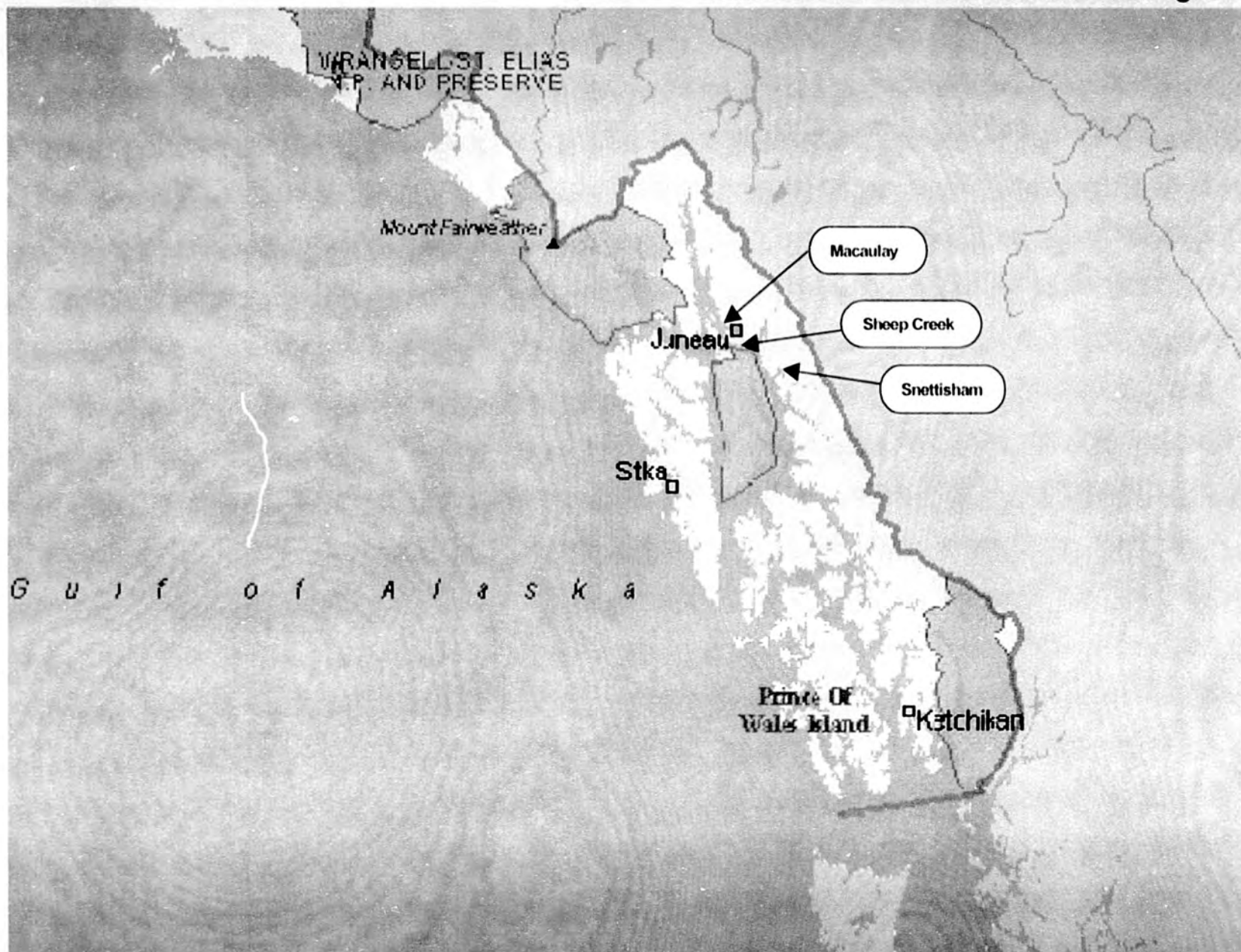
**Burro Creek Farms, Inc.
Source of Funds**



Cumulative through
June 30, 2004

Prepared by: Alaska Division of Investments
April 2005

**Douglas Island Pink and Chum, Inc.
Located within Northern Southeast Region**



Douglas Island Pink and Chum, Inc. (DIPAC)

DIPAC incorporated in 1976 to enhance salmon in the Stephens Passage, Taku Inlet, and Lynn Canal areas of Southeast Alaska. DIPAC has corporate offices in Juneau.

DIPAC has a 32-member Board of Directors. Members include the following:

- 1 Power Troller
- 1 Purse Seiner
- 6 Drift Gillnetters
- 10 Public at Large
- 1 Processor
- 10 Sport Fishing Harvesters
- 1 City Government Representative
- 1 Environmentalist
- 1 Subsistence

DIPAC operates the following hatcheries:

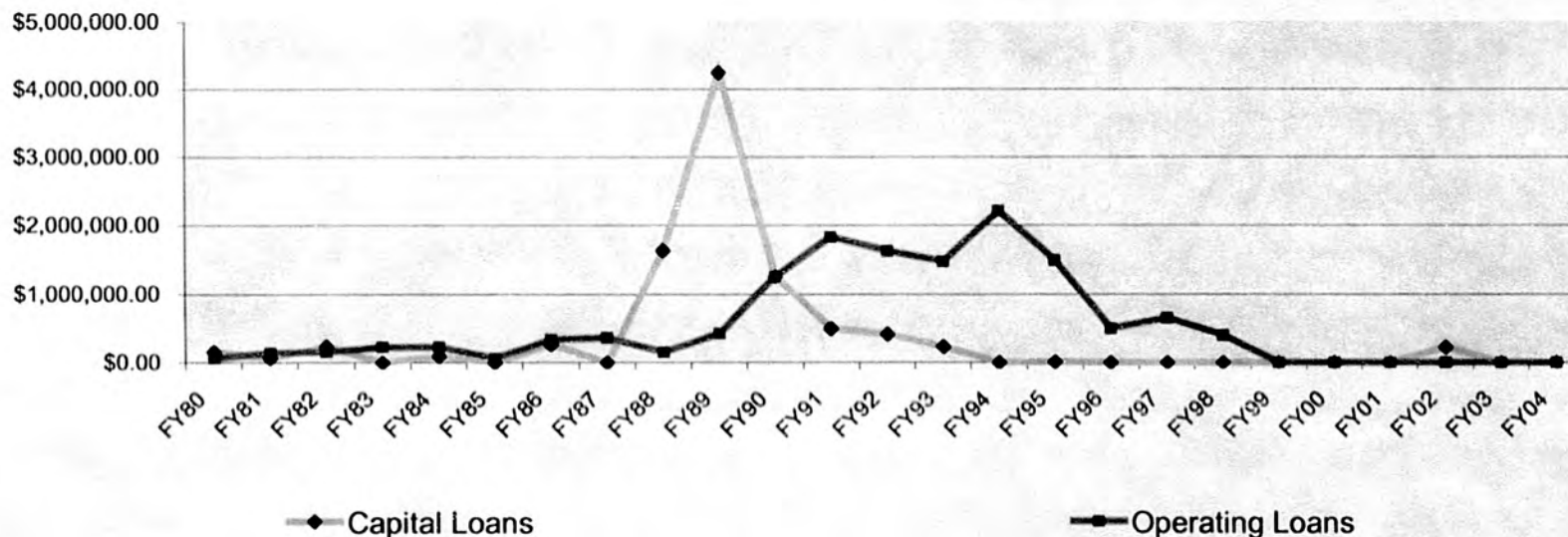
	Permitted Production in Millions					
	Pink	Chum	Sockeye	Coho	Chinook	Steelhead
Sheep Creek Hatchery – South of Juneau on Thane Road	40.0*			0.15		
Macaulay Hatchery – Juneau	50.0*	121.0		1.5	0.95	
Snettisham Hatchery – South of Juneau at Port Snettisham			33.5			

* The maximum aggregate production of pink salmon between the two facilities is 50.0M. Snettisham Hatchery is a State-owned facility under operational contract with DIPAC. Gastineau Hatchery was changed to Macaulay Hatchery in FY01

Operating Loans

- There were gradual increases in loans from FY80 - FY89 as Sheep Creek and Macaulay Hatcheries came on line.
- From FY90 – FY95 additional loans were needed for brood stock development at Macaulay Hatchery.
- With the transfer of the State FRED salmon hatchery operation at Snettisham, loans were necessary in FY95 through FY98 until DIPAC cost recovery revenues were available to carry annual operating costs.
- Low fish prices experienced during past years made it difficult to reach cost recovery revenue needs. Improved prices, species diversification, and modified debt structure have all contributed to DIPAC's current financial viability.
- In addition to the commercial fisheries, DIPAC has become a major contributor to the charter and sport fisheries in the inside waters of Northern Southeast Alaska.

**Douglas Island Pink & Chum, Inc.
Capital & Operating Loan Disbursements**



Capital Loans

FY80 - FY84	Construction of Sheep Creek Hatchery
FY86	Preconstruction loan for the engineering of Macaulay Hatchery
FY88 - FY90	Macaulay Hatchery core facility built in three major phases
FY91 - FY95	Final construction of Macaulay Hatchery
FY02	Upgrade at the Macaulay Hatchery and new remote release site feed barge

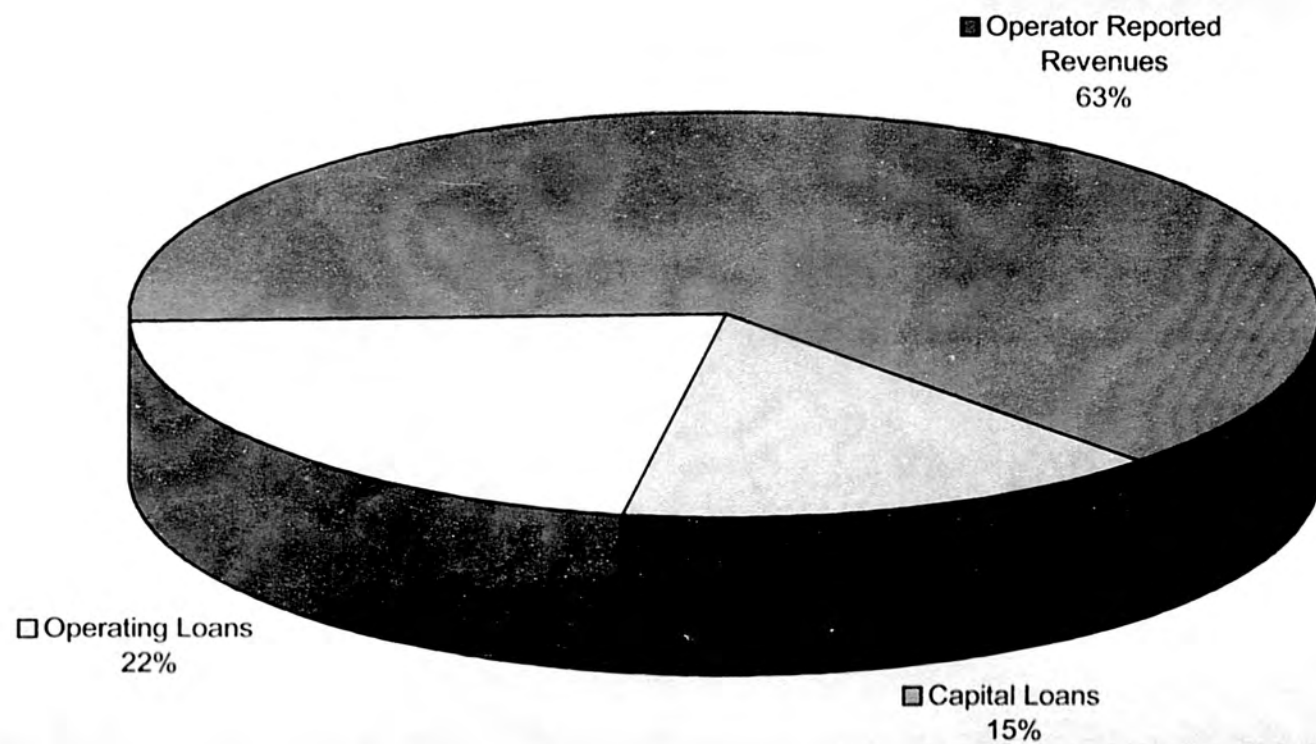
Douglas Island Pink & Chum, Inc.

Fiscal Year	Capital Loans	Operating Loans	Total Loans	Repayments
FY80	163,000	67,500	230,500	0
FY81	70,000	150,000	220,000	0
FY82	243,000	162,000	405,000	0
FY83	0	239,500	239,500	0
FY84	92,000	235,000	327,000	125,000
FY85	0	66,500	66,500	0
FY86	275,000	338,000	613,000	0
FY87	0	363,500	363,500	47,876
FY88	1,636,000	160,000	1,796,000	68,688
FY89	4,880,000	425,000	5,305,000	101,063
FY90	675,000	1,262,000	1,937,000	126,049
FY91	570,000	1,824,000	2,394,000	145,497
FY92	370,000	1,630,000	2,000,000	326,727
FY93	165,000	2,846,000	3,011,000	374,238
FY94	0	850,000	850,000	595,465
FY95	0	1,495,000	1,495,000	325,338
FY96	0	1,150,000	1,150,000	0
FY97	0	0	0	505,001
FY98	0	400,000	400,000	358,363
FY99	0	0	0	0
FY00	0	0	0	0
FY01	0	0	0	1,000,000
FY02	225,000	0	225,000	390,149
FY03	0	0	0	1,397,231
FY04	0	0	0	250,000
	\$9,364,000	\$13,664,000	\$23,028,000	\$6,136,685

CY80	0
CY81	0
CY82	0
CY83	5,127
CY84	0
CY85	199,820
CY86	152,830
CY87	6,725
CY88	415,146
CY89	68,688
CY90	37,991
CY91	68,366
CY92	412,901
CY93	1,039,202
CY94	162,787
CY95	2,032,158
CY96	924,146
CY97	2,793,050
CY98	3,261,101
CY99	3,694,300
CY00	6,192,005
CY01	3,987,160
CY02	5,415,716
CY03	4,045,700
CY04	4,821,409
	\$39,736,328

*Note – Small repayments of unused loan proceeds are not listed. Operator reported revenues include cost recovery, carcass sales, donations, grants, interest, etc.

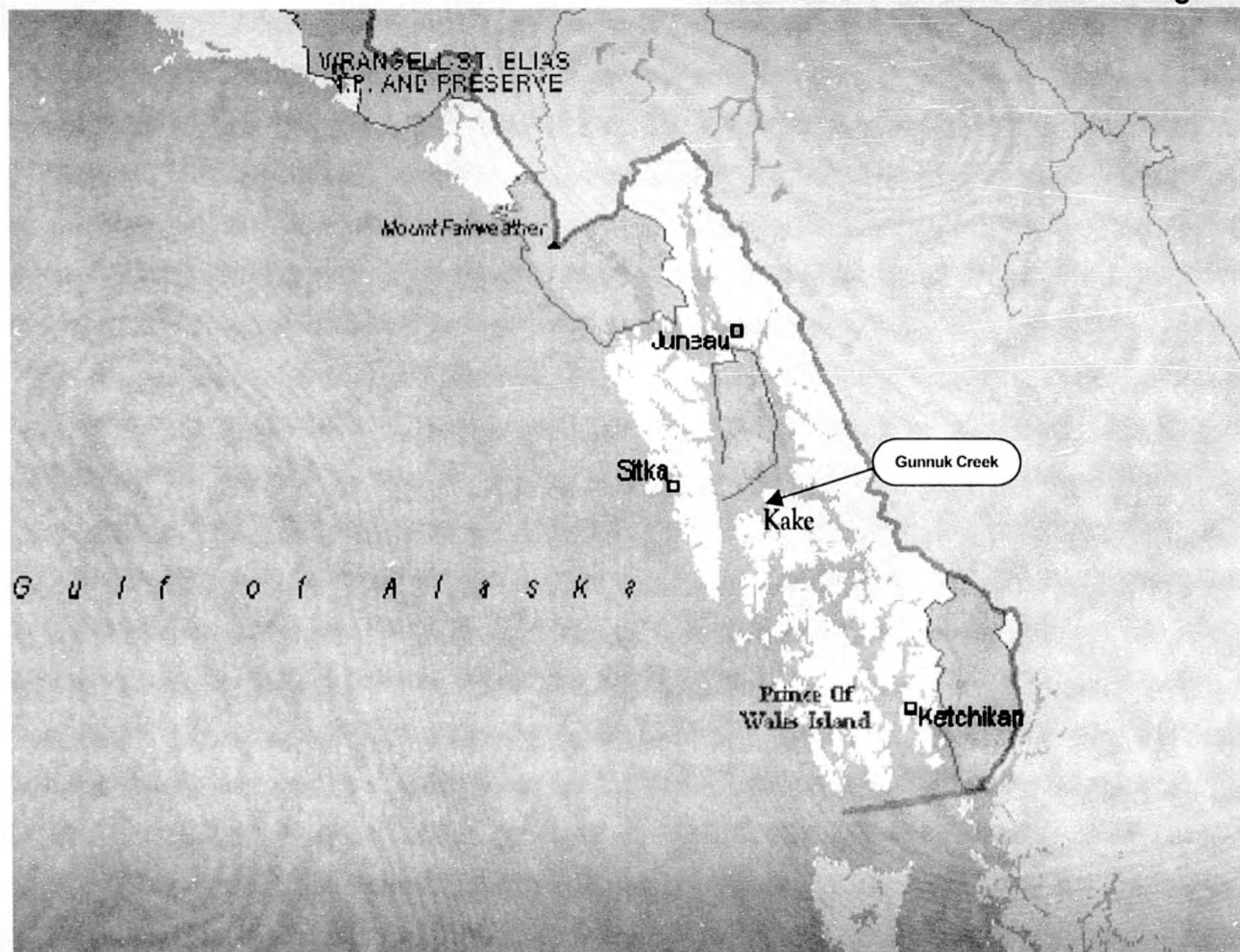
**Douglas Island Pink & Chum, Inc.
Source of Funds**



Cumulative through
June 30, 2004

Prepared by: Alaska Division of Investments
April 2005

**Kake Nonprofit Fisheries Corporation
Located within Northern Southeast Region**



Kake Nonprofit Fisheries Corporation (KNFC)

KNFC incorporated in 1977 and has corporate offices in Kake.

KNFC has an 11-member Board of Directors; corporate bylaws include board requirements. Members include representatives from the following groups:

- 7 City of Kake Council Members
- 1 Kake Tribal Corporation Representative
- 1 Organized Village of Kake Representative
- 1 Kake Alaska Native Brotherhood/Alaska Native Sisterhood Representative
- 1 Public at Large

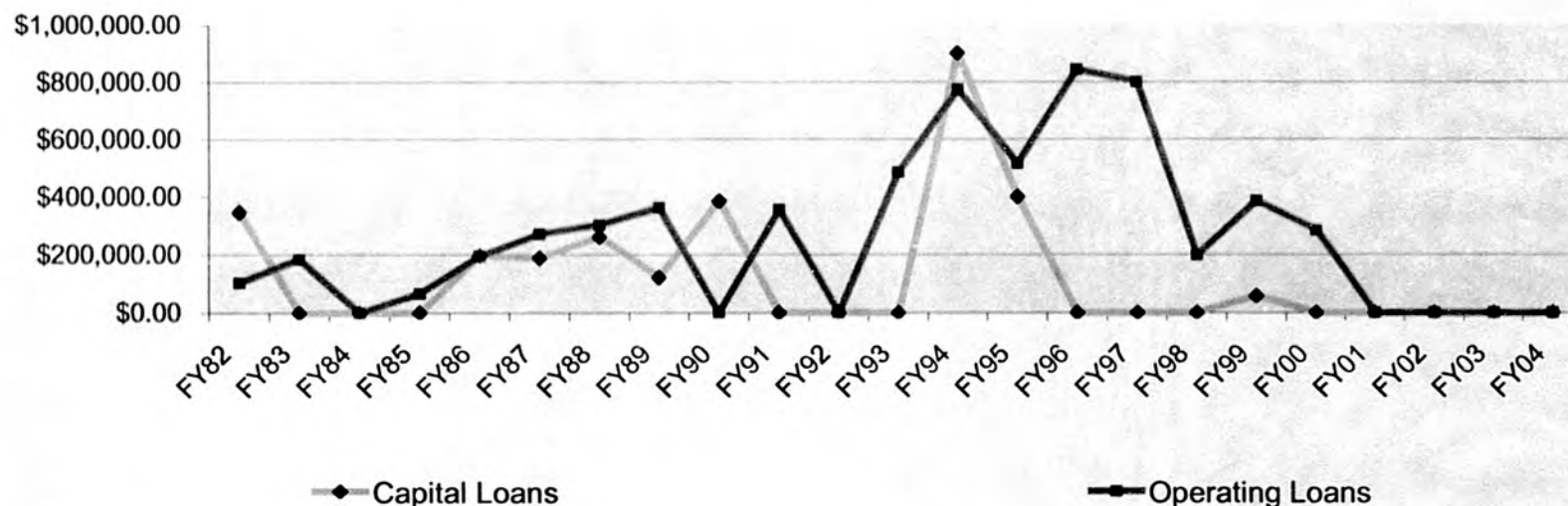
KNFC operates the following hatcheries:

	Permitted Production in Millions				
	Pink	Chum	Sockeye	Coho	Chinook
Gunnuk Creek Hatchery – in the City of Kake		65.0		0.25	

Operating Loans

- In the development stages, KNFC's permitted egg capacity was limited until their ability to culture fish was proven. With their success, KNFC was given stepped increases over several years to reach full capacity.
- KNFC found it necessary to change species to meet cost recovery goals. This added to the length of time necessary to complete brood stock development.
- FY94 operating expenses included development costs to secure long-term markets via contract with Health Sea, Inc. for value-added products.
- FY95 - FY00 operational loans were necessary for brood stock development and hatchery operating costs.
- Given adequate escapement through common property fisheries, KNFC should be able to meet future cost recovery goals.

Kake Nonprofit Fisheries Corporation Capital & Operating Loan Disbursements



Capital Loans	
FY82	Construction of Gunnuk Creek Hatchery
FY86	Expanded hatchery building and modified water pipeline
FY87	Constructed check dam and purchased additional incubators
FY88	Installed back up water system and fish ladder
FY89	Finished water system and stabilized creek bank
FY90	Increased hatchery capacity and improved access road
FY94 - FY95	Rebuild of Gunnuk Creek Hatchery - Total project \$3-Million, funded primarily from federal grants
FY99	Purchase new saltwater net pens

Kake Nonprofit Fisheries Corporation

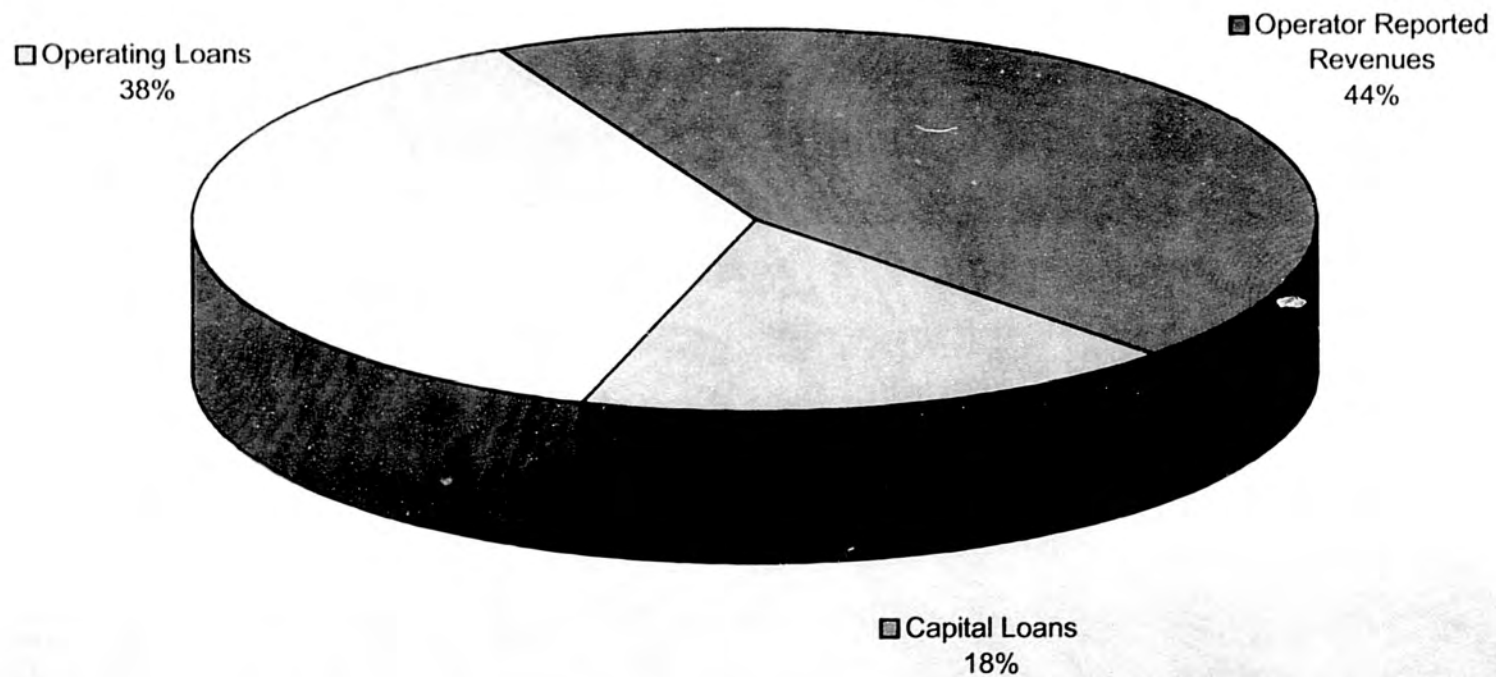
Fiscal Year	Capital Loans	Operating Loans	Total Loans	Repayments
FY82	346,900	104,500	451,400	15,996
FY83	0	184,000	184,000	0
FY84	0	0	0	0
FY85	0	66,780	66,780	0
FY86	196,187	195,383	391,570	0
FY87	188,000	577,139	765,139	0
FY88	262,154	0	262,154	40,109
FY89	121,537	362,267	483,804	0
FY90	385,946	141,991	527,937	0
FY91	0	213,000	213,000	0
FY92	0	188,842	188,842	0
FY93	900,000	297,400	1,197,400	0
FY94	400,000	772,000	1,172,000	0
FY95	0	515,000	515,000	0
FY96	0	842,000	842,000	0
FY97	0	800,000	800,000	0
FY98	0	200,000	200,000	0
FY99	58,000	385,256	443,256	0
FY00	0	283,000	283,000	0
FY01	0	0	0	0
FY02	0	0	0	100,000
FY03	0	0	0	100,000
FY04	0	0	0	150,000
	\$2,858,724	\$6,128,558	\$8,987,282	\$406,105

CY82	0
CY83	0
CY84	0
CY85	0
CY86	0
CY87	0
CY88	16,917
CY89	83,459
CY90	36,975
CY91	101,329
CY92	105,650
CY93	111,111
CY94	45,243
CY95	41,670
CY96	73,003
CY97	434,346
CY98	518,532
CY99	424,340
CY00	1,394,922
CY01	787,181
CY02	679,244
CY03	1,576,729
CY04	888,766
	\$7,319,417

*Note – Small repayments of unused loan proceeds are not listed. Operator reported revenues include cost recovery, carcass sales, donations, grants, interest, etc.

Kake Nonprofit Fisheries Corporation

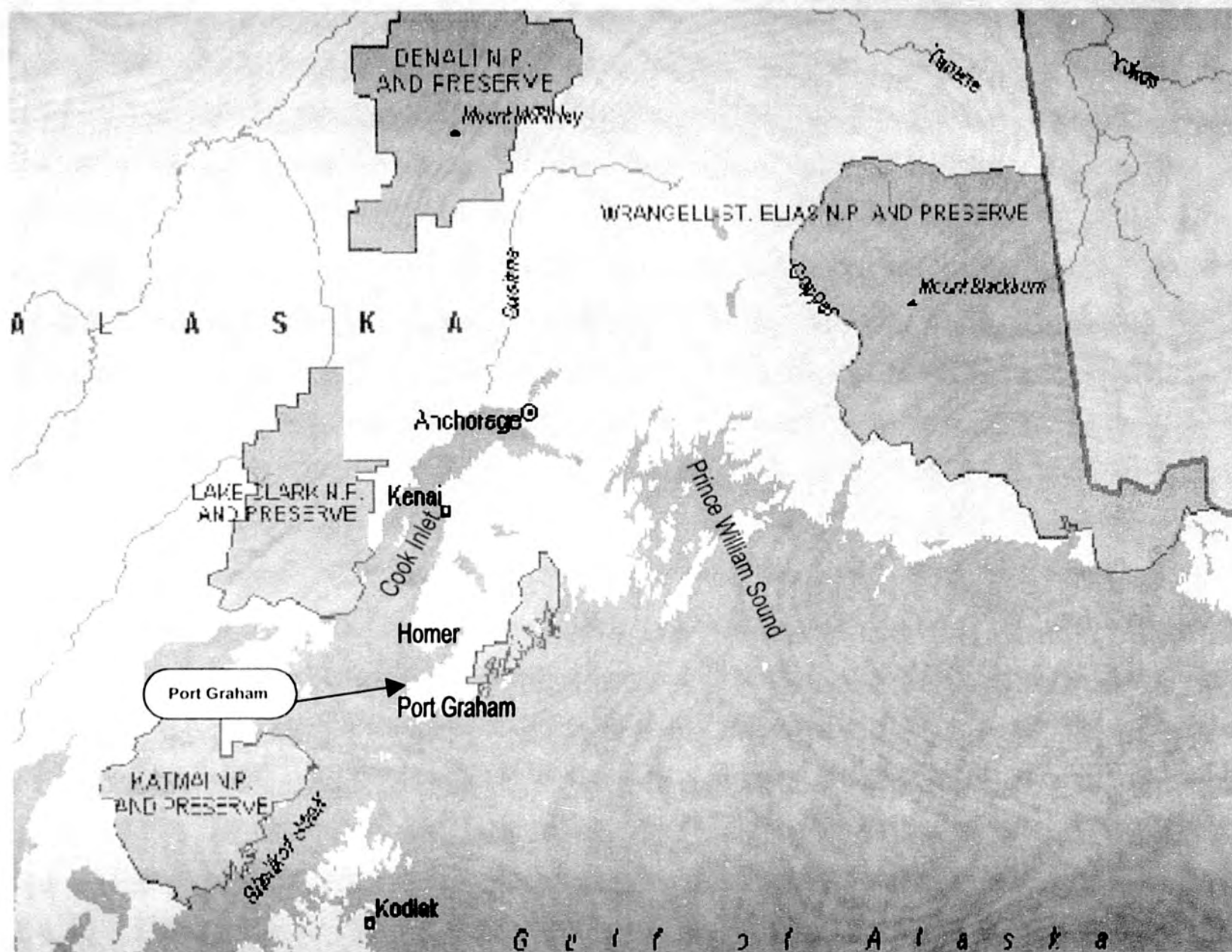
Source of Funds



Cumulative through
June 30, 2004

Prepared by: Alaska Division of Investments
April 2005

**Port Graham Hatchery Corporation
Located within Cook Inlet Region**



Port Graham Hatchery Corporation (PGHC)

PGHC incorporated in 1991 and has corporate offices in Port Graham.

PGHC has a 5-member Board of Directors consisting of individuals interested in the enhancement of salmon.

- 1 Village Chief
- 3 Public at Large
- 1 Port Graham Corporate Representative

PGHC operates the following hatchery:

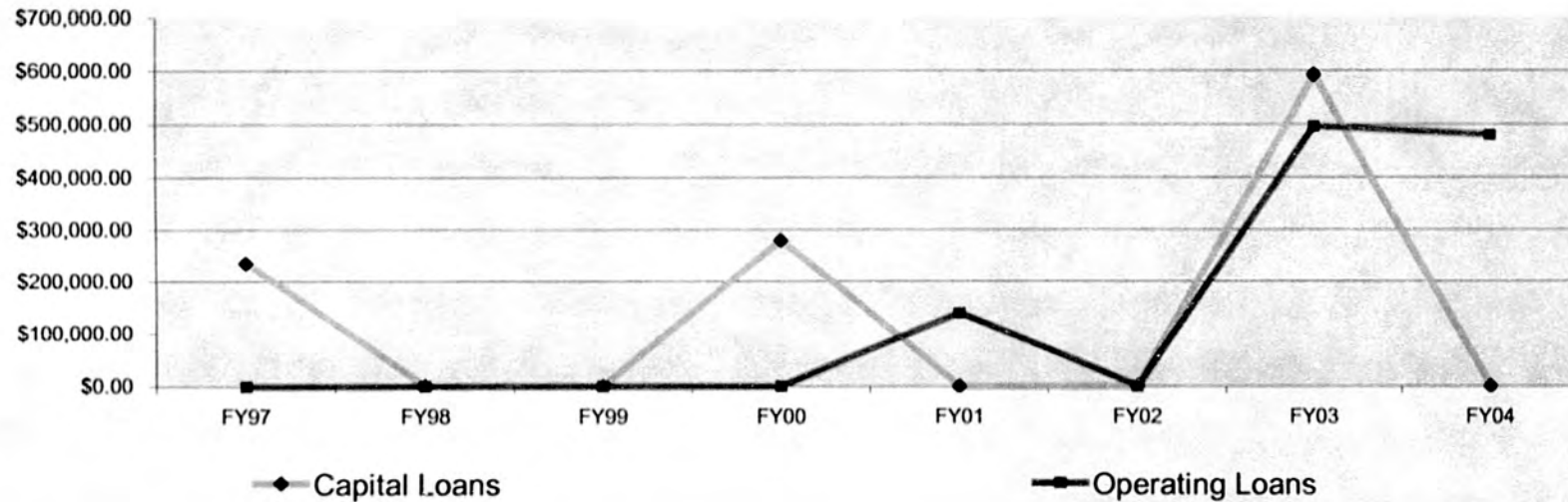
	Permitted Production in Millions				
	Pink	Chum	Sockeye	Coho	Chinook
Port Graham Hatchery – in Port Graham	110.0		3.15	.04	

Operating Loan

The Port Graham Hatchery is located within the Port Graham salmon cannery building. The original facility burned in 1998 and was reconstructed in 1999, which caused delays in PGHC coming to full production.

- Loans in FY03 and FY04 for operational costs related to brood stock development.

**Port Graham Hatchery Corporation
Capital & Operating Loan Disbursements**



Capital Loans	
FY97	Upgraded hatchery – Purchase new saltwater net pens and feed barge
FY00	Purchased new incubators and new saltwater net pens
FY03	Purchase of hatchery equipment

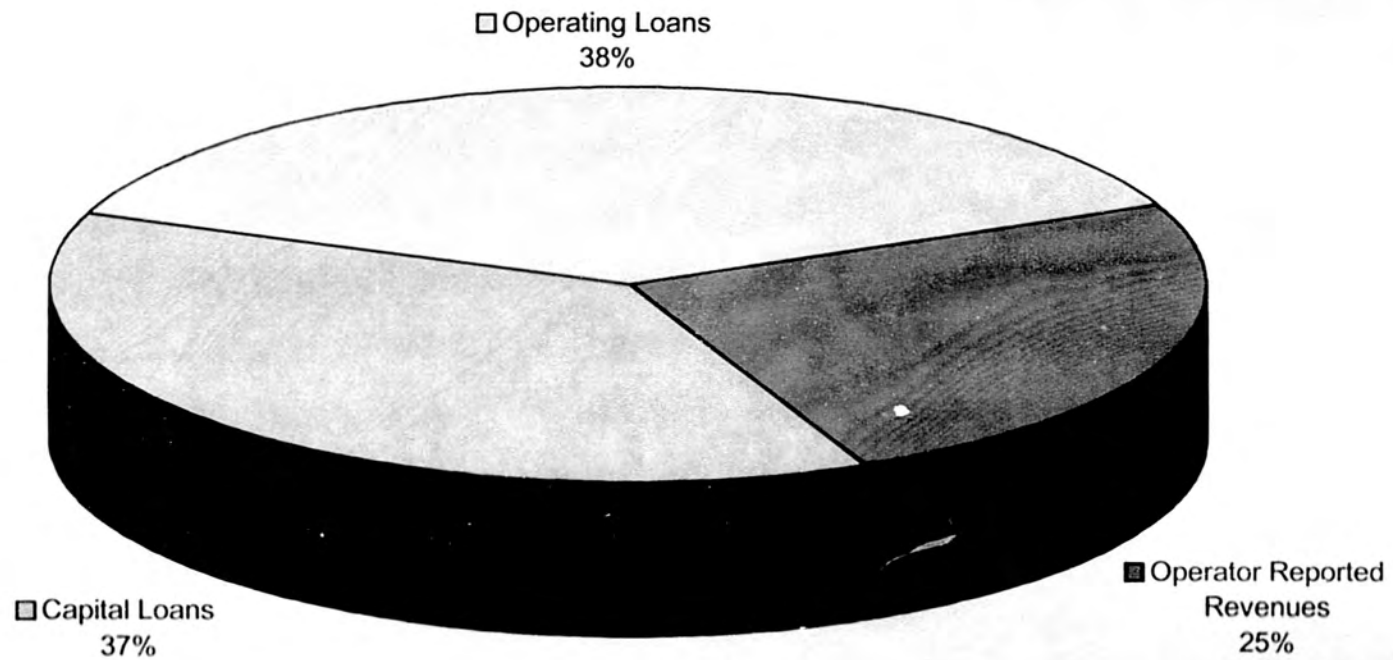
Port Graham Hatchery Corporation

Fiscal Year	Capital Loans	Operating Loans	Total Loans	Repayments
FY97	235,000	0	235,000	0
FY98	0	0	0	0
FY99	0	0	0	0
FY00	280,000	0	280,000	0
FY01	0	140,000	140,000	0
FY02	0	0	0	0
FY03	592,000	495,855	1,087,855	0
FY04	0	480,134	480,134	15,288
	\$1,107,000	\$1,115,989	\$2,222,989	\$15,288

CY97	30,825
CY98	88,474
CY99	0
CY00	0
CY01	0
CY02	96,931
CY03	135,671
CY04	387,251
	\$739,152

*Note – Small repayments of unused loan proceeds are not listed. Operator reported revenues include cost recovery, carcass sales, donations, grants, interest, etc.

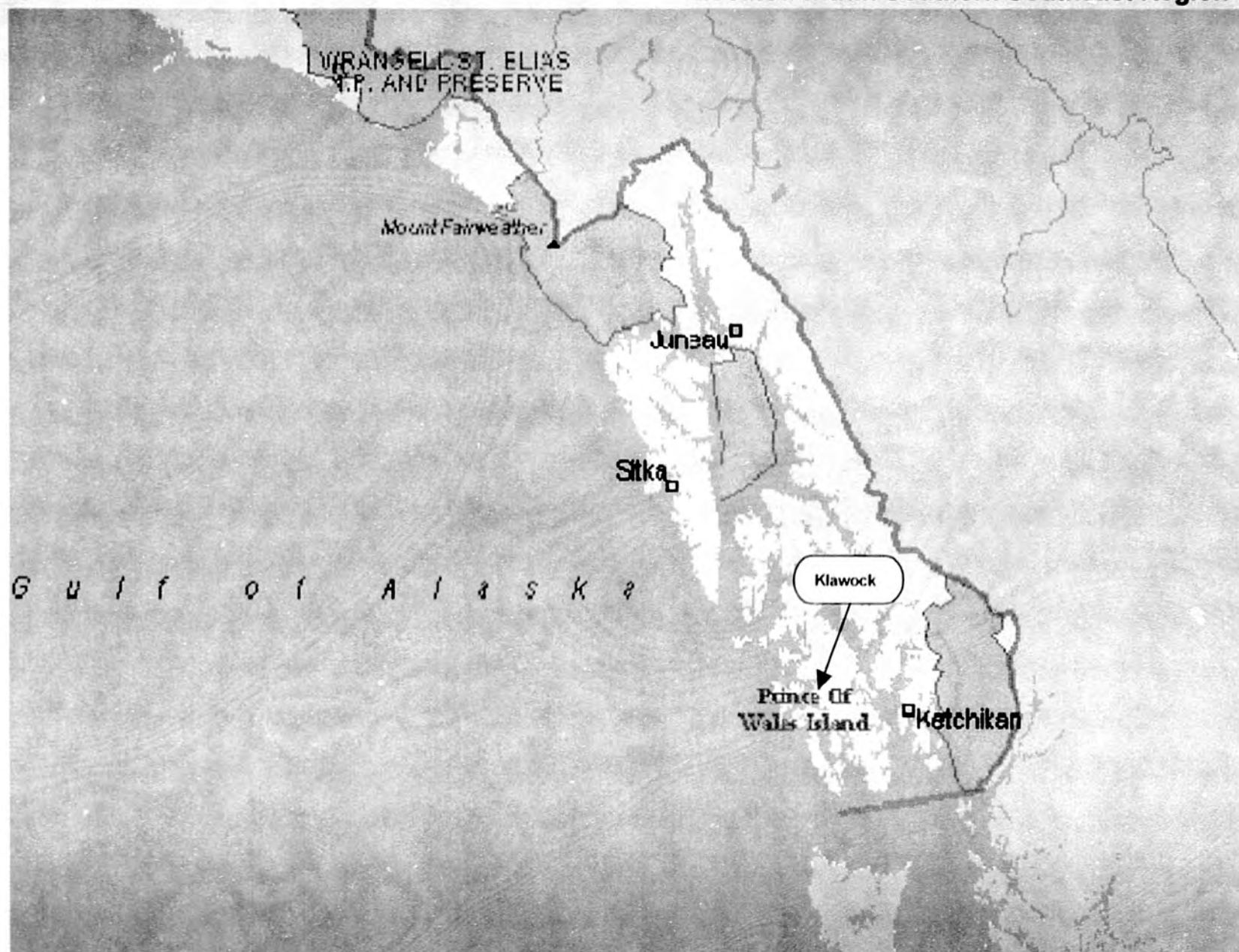
Port Graham Hatchery Corporation Source of Funds



Cumulative through
June 30, 2004

Prepared by: Alaska Division of Investments
April 2005

**Prince of Wales Hatchery Association
Located within Southern Southeast Region**



P **rin**ce of Wales Hatchery Association (POWHA)

POWHA incorporated in 1996 and has corporate offices in Klawock.

POWHA has an 11-member Board of Directors consisting of individuals interested in the enhancement of salmon for the communities of Craig and Klawock.

POWHA operates the following hatchery:

	Permitted Production in Millions					
	Pink	Chum	Sockeye	Coho	Chinook	Steelhead
Klawock Hatchery – near Klawock Village	0	0	5.0	5.0	.25	.05

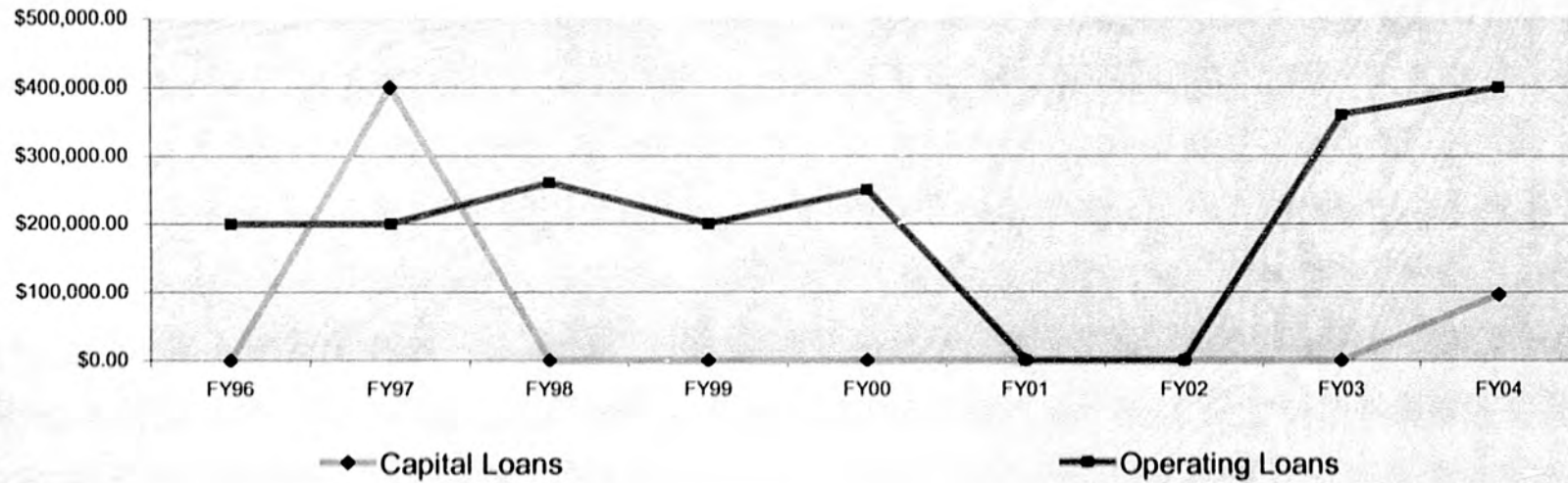
The Klawock Hatchery, a State FRED facility, transferred operation to the City of Klawock in 1993 - 1994. In 1996 the State transferred and permitted the Klawock Hatchery operation to POWHA.

Operating Loans

- The annual operating loans support the brood stock development phase of the hatchery.
- Future operating loans are anticipated.

Given adequate escapement through common property fisheries, POWHA should be able to meet future production and cost recovery goals.

Prince of Wales Hatchery Association Capital & Operating Loan Disbursements



Capital Loans	
FY97	Hatchery upgrades, equipment, and saltwater net pens
FY04	Equipment and upgrades at Klawock River hatchery.

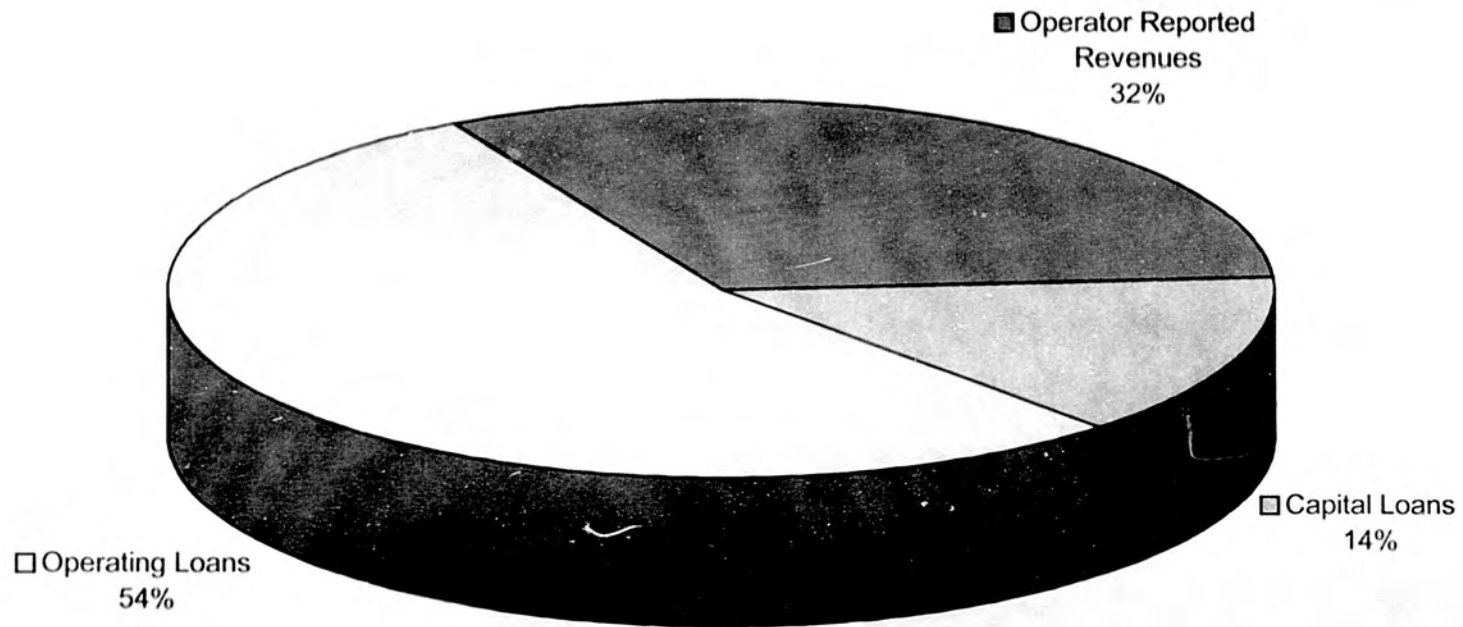
Prince of Wales Hatchery Association

Fiscal Year	Capital Loans	Operating Loans	Total Loans	Repayments
FY96	400,000	200,000	600,000	0
FY97	0	200,000	200,000	0
FY98	0	260,000	260,000	0
FY99	0	200,000	200,000	0
FY00	0	250,000	250,000	0
FY01	0	0	0	0
FY02	0	0	0	0
FY03	0	360,000	360,000	0
FY04	96,000	400,000	496,000	0
	\$496,000	\$1,870,000	\$2,366,000	\$0

CY96	0
CY97	2,450
CY98	22,918
CY99	46,000
CY00	120,000
CY01	292,500
CY02	350,000
CY03	146,000
CY04	124,114
	\$1,103,982

*Note – Small repayments of unused loan proceeds are not listed. Operator reported revenues include cost recovery, carcass sales, donations, grants, interest, etc.

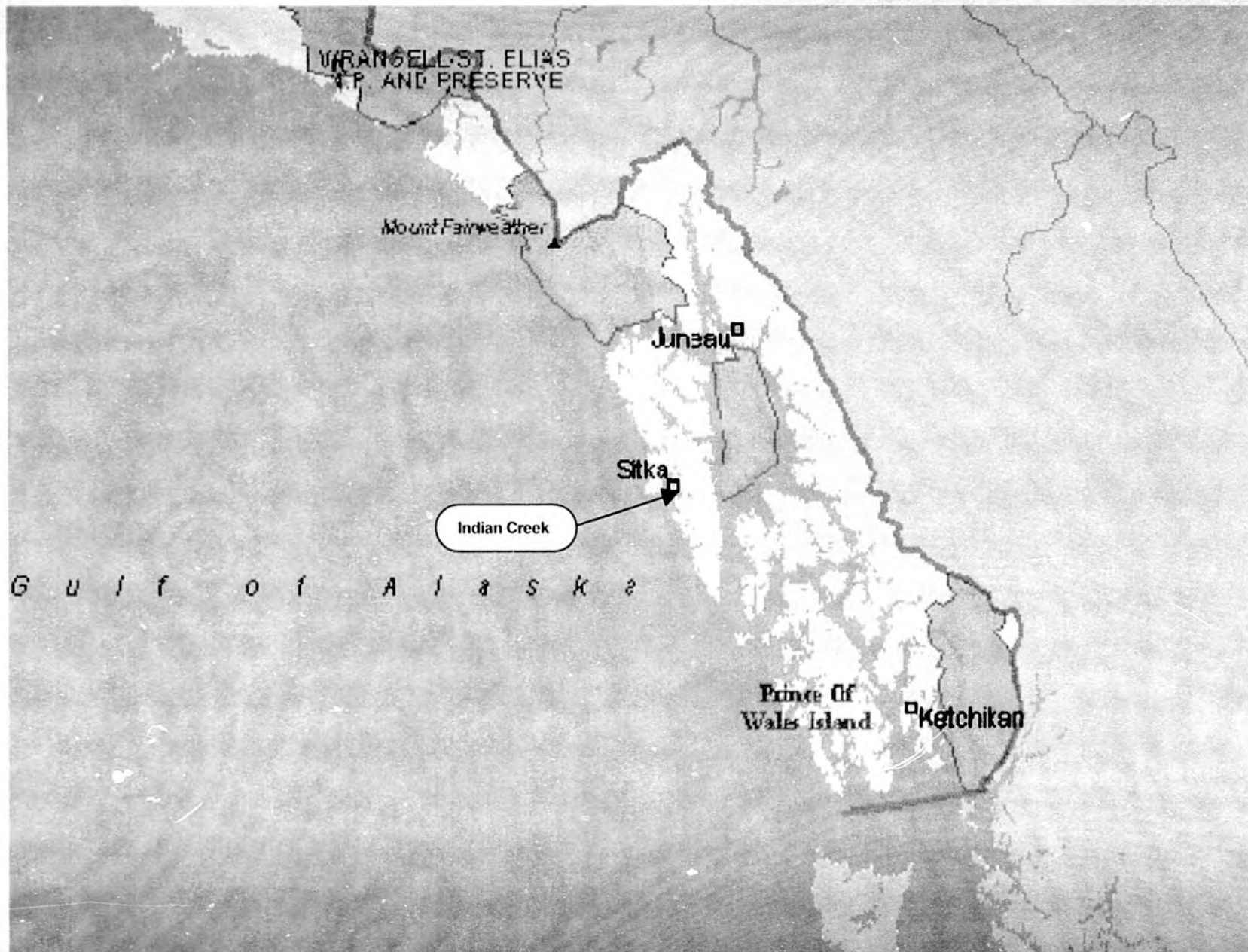
**Prince of Wales Hatchery Association
Source of Funds**



Cumulative through
June 30, 2004

Prepared by: Alaska Division of Investments
April 2005

Sheldon Jackson College
Located within Northern Southeast Region



Sheldon Jackson College (SJC)

SJC is a nonprofit educational organization and its corporate office is in Sitka.

The hatchery is administered by the President of **SJC**.

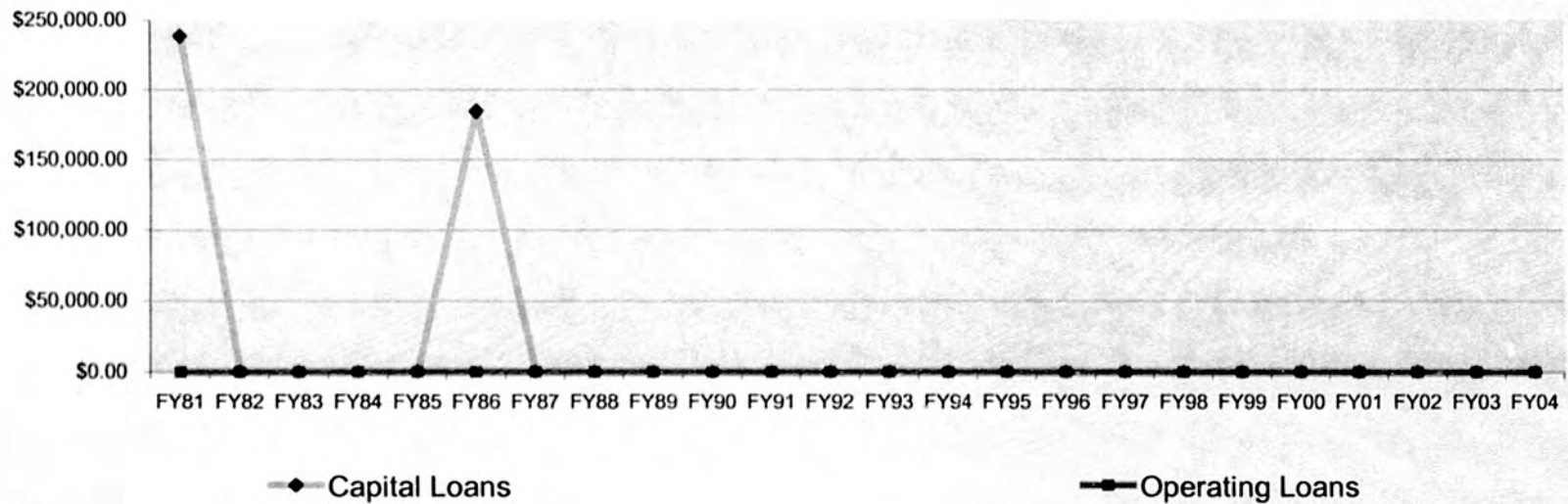
SJC operates the following hatchery:

	Permitted Production in Millions					
	Pink	Chum	Sockeye	Coho	Chinook	Steelhead
Indian Creek Hatchery – in Sitka	15.0	5.0 *		0.15	0.1	0.02

* If 5.0M chum are not available, SJC may fill the remaining capacity with pinks.

- SJC budgets revenues from college funds and cost recovery sales to meet debt service.
- Low fish prices and poor water quality experienced during past years made it difficult to reach cost recovery revenue goals. A modified debt structure and the college have both contributed to the hatchery's current management plan.
- The hatchery is part of Sheldon Jackson's Fisheries/Aquaculture school program providing certified aquaculture training within the State of Alaska.

Sheldon Jackson College Capital & Operating Loan Disbursements



Capital Loans	
FY81	Construction of Indian Creek Hatchery
FY86	Converted basement of science building to a hatchery, increasing rearing capacity

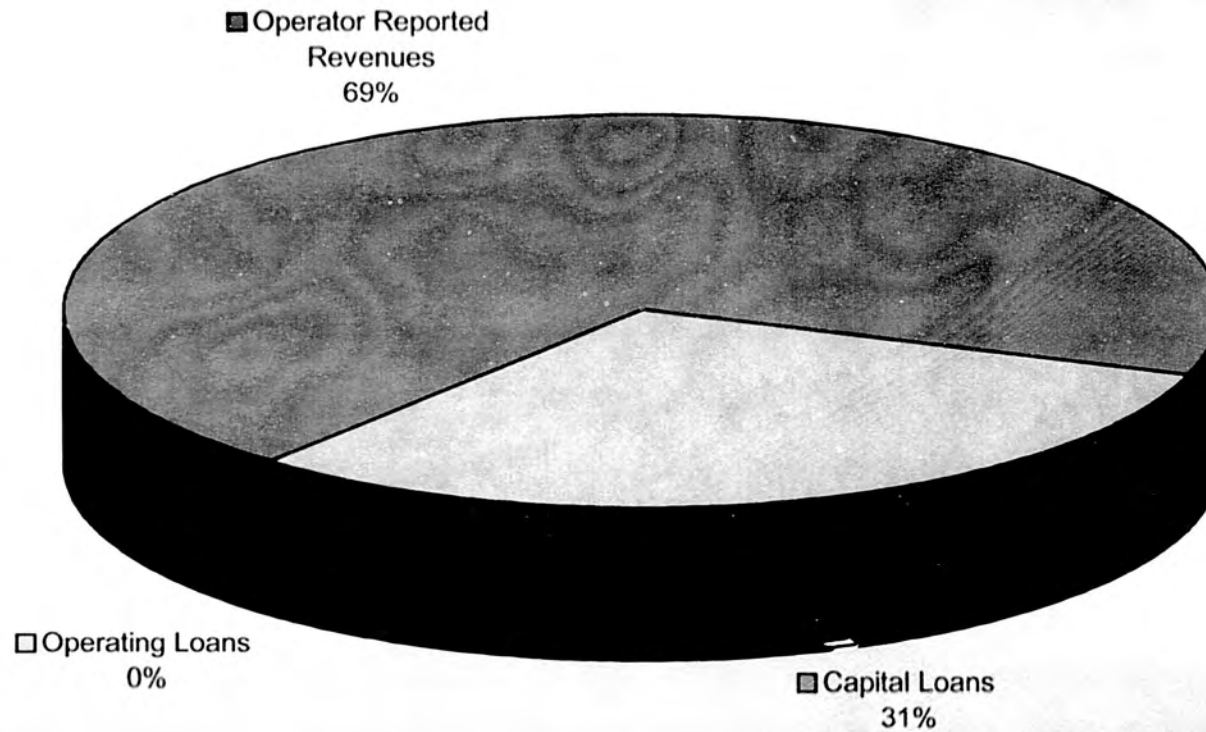
Sheldon Jackson College

Fiscal Year	Capital Loans	Operating Loans	Total Loans	Repayments
FY81	238,624	0	238,624	0
FY82	0	0	0	0
FY83	0	0	0	0
FY84	0	0	0	0
FY85	0	0	0	0
FY86	185,000	0	185,000	0
FY87	0	0	0	0
FY88	0	0	0	67,583
FY89	0	0	0	43,406
FY90	0	0	0	0
FY91	0	0	0	1,025
FY92	0	0	0	0
FY93	0	0	0	1,025
FY94	0	0	0	0
FY95	0	0	0	0
FY96	0	0	0	0
FY97	0	0	0	81,107
FY98	0	0	0	81,107
FY99	0	0	0	0
FY00	0	0	0	81,107
FY01	0	0	0	77,245
FY02	0	0	0	77,245
FY03	0	0	0	77,245
FY04	0	0	0	77,245
	\$423,624	\$0	\$423,624	\$665,340

CY81	0
CY82	0
CY83	42,956
CY84	54,229
CY85	119,663
CY86	98,583
CY87	18,800
CY88	69,582
CY89	10,776
CY90	2,830
CY91	0
CY92	0
CY93	0
CY94	0
CY95	32,769
CY96	513
CY97	51,941
CY98	69,577
CY99	116,886
CY00	20,865
CY01	2,521
CY02	0
CY03	0
CY04	233,705
	\$946,196

*Note – Small repayments of unused loan proceeds are not listed. Operator reported revenues include cost recovery, carcass sales, donations, grants, interest, etc.

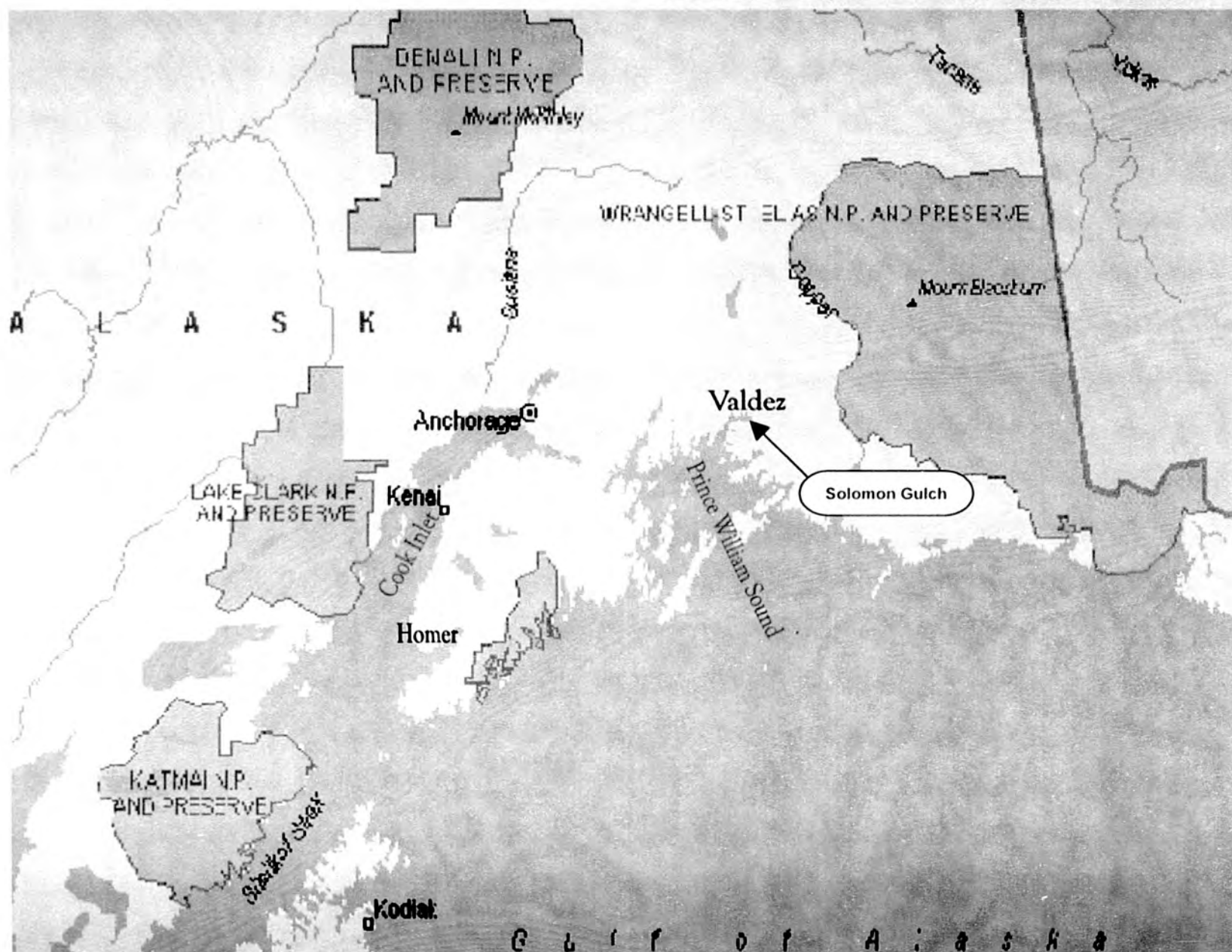
Sheldon Jackson College Source of Funds



Cumulative through
June 30, 2004

Prepared by: Alaska Division of Investments
April 2005

**Valdez Fisheries Development Association
Located within Prince William Sound Region**



Valdez Fisheries Development Association (VFDA)

VFDA incorporated in 1981 and has corporate offices in Valdez.

VFDA has a 7-member Board of Directors. Members include the following:

- 4 Purse Seiners
- 1 Sport Fishing Harvester
- 1 Tour Operator
- 1 Citizen at Large

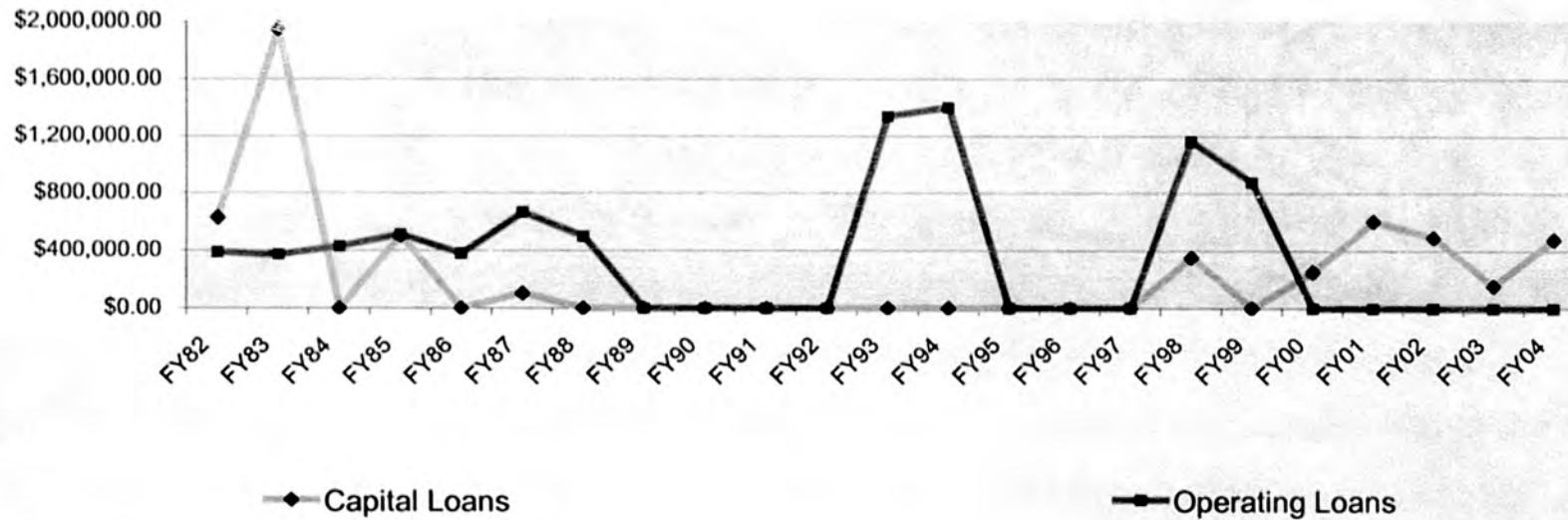
VFDA operates the following hatchery:

	Permitted Production in Millions				
	Pink	Chum	Sockeye	Coho	Chinook
Solomon Gulch Hatchery – on the road system across the Valdez Arm from the City of Valdez	230.0			2.0	0.3

Operating Loans

- In the development stages, VFDA's permitted egg capacity was limited until their ability to culture fish was proven. With their success, VFDA was given stepped increases over several years to reach full capacity.
- VFDA found it necessary to change species and use different run timing to meet cost recovery goals. This added to the length of time necessary to complete brood stock development.
- In FY93 - FY94 loans were necessary due to poor ocean survival rates.
- Low fish prices experienced during past years made it difficult to reach cost recovery needs. Improved prices, increased returns, and a modified debt structure have all contributed to VFDA's current financial viability.
- In addition to the commercial fisheries, VFDA has become a major contributor to the charter and sport fisheries in Valdez.

Valdez Fisheries Development Association Capital & Operating Loan Disbursements



Capital Loans	
FY82 - FY83	Construction of Solomon Gulch Hatchery
FY85	Built covered raceways to rear coho
FY87	Added incubators to meet expanded production
FY98	Replaced fish ladder, adult holding pond, and upgraded electrical system
FY00	Improvements to hatchery and water supply. Construction of warehouse and purchased saltwater net pens
FY01	Purchase building for administrative offices and custom processing. Improvements to warehouse
FY02	Water systems and electrical upgrades at hatchery
FY03 – FY04	Construction at Solomon Gulch Hatchery and at the warehouse

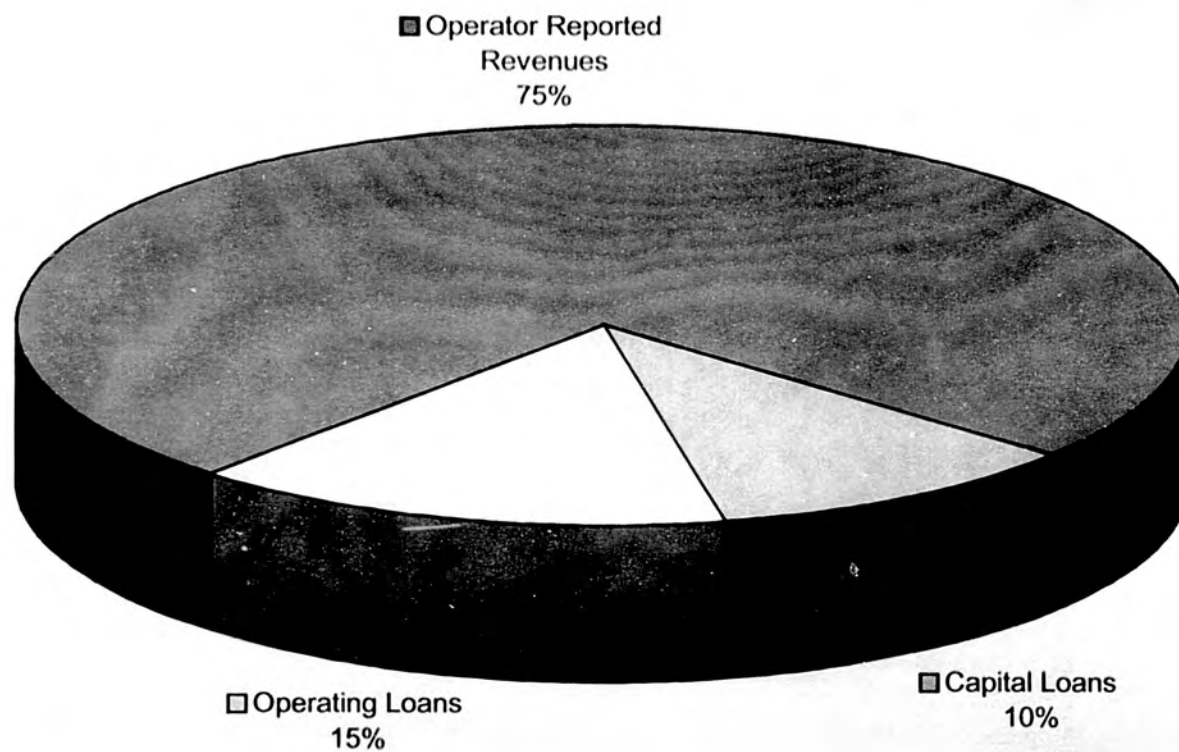
Valdez Fisheries Development Association

Fiscal Year	Capital Loans	Operating Loans	Total Loans	Repayments
FY82	2,582,530	387,000	2,969,530	0
FY83	0	371,000	371,000	0
FY84	0	432,000	432,000	0
FY85	506,300	511,879	1,018,179	0
FY86	0	380,000	380,000	0
FY87	105,000	668,664	773,664	0
FY88	0	500,000	500,000	38,734
FY89	0	0	0	327,426
FY90	0	0	0	370,322
FY91	0	0	0	420,263
FY92	0	0	0	0
FY93	0	1,336,000	1,336,000	711,473
FY94	0	1,400,000	1,400,000	711,473
FY95	0	0	0	828,200
FY96	0	0	0	675,803
FY97	0	0	0	276,306
FY98	350,000	1,162,703	1,512,703	2,171,142
FY99	0	875,000	875,000	0
FY00	251,000	0	251,000	712,084
FY01	606,500	0	606,500	868,144
FY02	494,236	0	494,236	827,510
FY03	152,744	0	152,744	820,489
FY04	482,000	0	482,000	856,501
	\$5,530,310	\$8,024,246	\$13,554,556	\$10,615,869

CY82	0
CY83	0
CY84	83,694
CY85	9,613
CY86	157,717
CY87	54,712
CY88	1,402,226
CY89	1,547,930
CY90	1,988,963
CY91	2,614,414
CY92	1,758,059
CY93	1,209,648
CY94	1,117,105
CY95	2,933,248
CY96	2,871,447
CY97	2,354,657
CY98	2,762,905
CY99	2,743,270
CY00	2,661,749
CY01	2,897,101
CY02	2,605,653
CY03	3,100,953
CY04	2,526,639
	\$39,401,703

*Note – Small repayments of unused loan proceeds are not listed. Operator reported revenues include cost recovery, carcass sales, donations, grants, interest, etc.

Valdez Fisheries Development Association Source of Funds



Cumulative through
June 30, 2004

Prepared by: Alaska Division of Investments
April 2005

Resource Information and Notes

1. Operator Reported Revenues Source - Alaska Department of Fish & Game

1974 – 1984 Alaska Salmon Hatcheries Annual Reports
1985 – 1996 Alaska Fisheries Enhancement Program Annual Reports
1997 – 2003 Alaska Salmon Enhancement Program Annual Reports
2004 Alaska Salmon Enhancement Program Annual Draft Report

Information is reported by calendar year and is posted the following fiscal year.

2. Total Operator Reported Revenues are included in the ADF&G annual reports beginning in 1996. Prior to 1996, only Cost Recovery totals were included in the reports. They are calendar year revenues that include cost recovery, carcass sales, donations, grants, interest incomes, etc.
3. Beginning in FY96, transactions are reported using the effective date of loan disbursements and payments received. Prior to FY96, these transactions were reported using the posting date of our accounting system.
4. Effective July 1, 1999, the Department of Commerce and Economic Development and the Department of Community and Regional Affairs were merged to form the new Department of Commerce, Community, and Economic Development.

Fisheries Enhancement Revolving Loan Fund -Program Overview

First Edition December 1995 – Updated March 1996
Second Edition November 1999
Third Edition February 2002
Fourth Edition February 2003
Fifth Edition February 2004
Sixth Edition February 2005 – Updated April 2005

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147:4

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. Duperovich

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
- 70. Benefits
- 80. Emergency treatment for cardio-vascular diseases

Section

- 90. Assistance after discharge
- 100. Transportation, hospital, nursing, medical, and surgical expenses
- 110. Contracts for care
- 120. Cooperation with other agencies
- 130. Duration of care
- 140. Limitation on benefits
- 150. Definitions

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

Program Contact Information

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Anchorage, Alaska 99501

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www.commerce.state.ak.us/investments
investments@commerce.state.ak.us

1 800 478-LOAN (5626)

Alaska Business Development Center, Inc.

Mailing/Physical Address:

3335 Arctic Boulevard, Suite 203
Anchorage, Alaska 99503

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Toll free number: 1 800 478-FISH (3474)

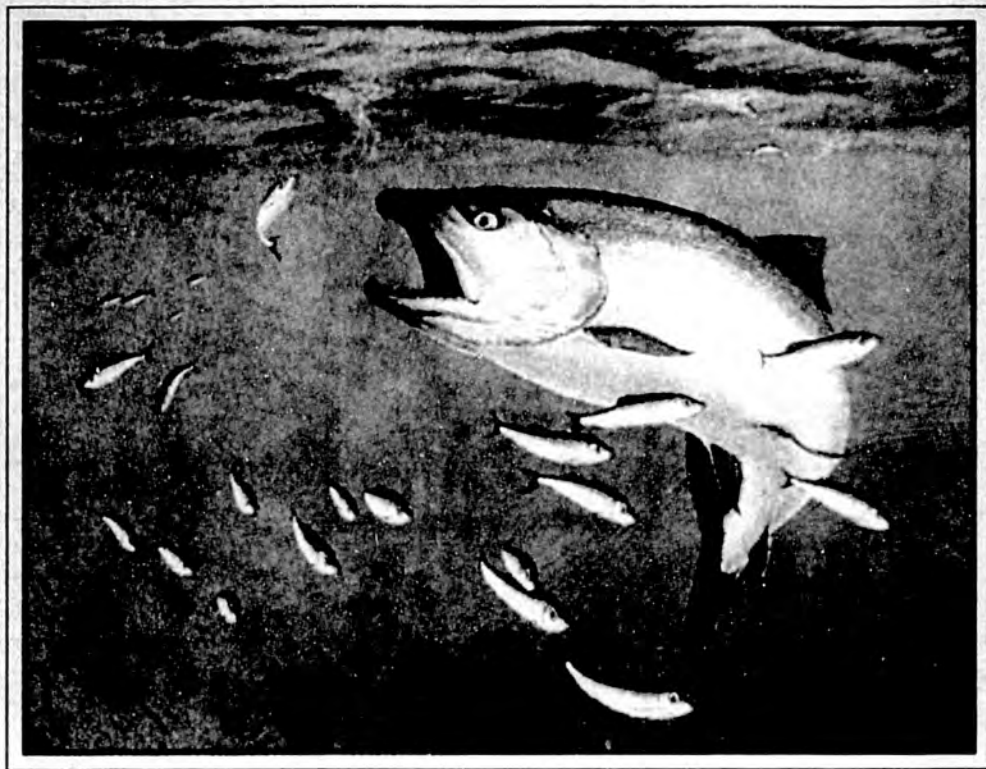


Alaska Division of Investments

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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

