

SCOMM

36:13

IDENTIFICATION	BILL NAME An Act relating to the operation of state-owned salmon hatcheries.		BILL NUMBER HB 393
			DATE INTRODUCED 5/2/83
			RELATED BILLS PENDING
	SPONSOR(S) Bettisworth		REFERRALS Resources Finance
INITIAL RESEARCH	INITIAL SUMMARY COMPLETED	LEGAL DIVISION SUMMARY	
	SPONSOR CONTACTED FOR BACKUP MATERIALS	DEPT OF LAW SUMMARY	
	AGENCY RESPONSE	FISCAL NOTE	
		OTHER INTERESTED LEGISLATORS NOTIFIED	
BACKGROUND RESEARCH	SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES		OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, ETC
	RESPONSES FROM INTERESTED PERSONS AND/OR GROUPS		
HEARING PREPARATION	CHAIRMAN BRIEFED	DATE & PLACE SET	
	STAFF MEMO TO COMMITTEE	TELECONFERENCE	
	BACKGROUND MATERIAL DISTRIBUTED	PSA/PRESS RELEASE	
	LIST OF WITNESSES	SUGGESTED AMENDMENTS/CS DRAFTED	

COMMITTEE REPORT

HOUSE

RESOURCES

FINANCE

FURTHER:

(7)

5/2/83

Date: May 13, 1983

Mr. Speaker:

HOUSE SPECIAL COMMITTEE ON FISHERIES

The Committee on _____ has had HB 393

"An Act relating to the operation of state-owned salmon hatcheries."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 393 same title
- new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Adelheid Herrmann

Dale Bussepe

MEMBERS HAVING
OTHER RECOMMENDATIONS:

John McBride - Do not pass

Pete Jones - Do not pass unless
AMENDED

Rep. Adelheid Herrmann
CHAIRMAN

Original sponsor: Bettisworth

BY THE HOUSE SPECIAL COMMITTEE
ON FISHERIES

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 393 (Fisheries)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the operation of state-owned
7 salmon hatcheries."

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

9 * Section 1. FINDINGS. The legislature finds that declining state
10 revenues and the newly imposed constitutional spending limit require a
11 reduction in expenditures. This reduction may result in the closure of
12 state hatcheries. State hatcheries play an important role in the conserva-
13 tion and management of the state's fisheries resources and benefit all
14 fishermen - commercial, subsistence, and sport - who depend on salmon
15 stocks. Therefore, it is in the public interest to provide for the trans-
16 fer of operation of certain hatcheries by lease to regional aquaculture
17 associations.

18 * Sec. 2. AS 16.10 is amended by adding new sections to read:

19 Sec. 16.10.435. OPERATION OF STATE HATCHERIES. (a) The commis-
20 sioner shall by lease transfer the operation of state-owned salmon
21 hatcheries listed in AS 16.10.436 to regional associations that

- 22 (1) are qualified under AS 16.10.380; and
- 23 (2) apply for a transfer under (c) of this section.

24 (b) A lease to operate a state-owned salmon hatchery shall
25 provide that the lessee shall be solely responsible for the operation
26 ~~and maintenance~~ of the hatchery ^{16.10.435} and shall indemnify the state against
27 liability for harm or loss arising from the operation of the hatchery
28 during the period of the lease.

29 (c) Application for the transfer of the operation of a state-

1 owned salmon hatchery shall be made on a form provided by the depart-
2 ment.

3 Sec. 16.10.436. TRANSFER OF HATCHERY OPERATIONS. Operation of
4 the following state-owned salmon hatcheries shall be transferred in
5 accordance with AS 16.10.435:

- 6 (1) the Beaver Falls hatchery;
7 (2) the Cannery Creek hatchery;
8 (3) the Main Bay hatchery; and
9 (4) the Klawock hatchery; and
10 (5) the *East Creek hatchery*



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

MEMORANDUM

To: The Honorable Bill Sheffield
Governor

From: Curt Kerns, Chairman *Curt Kerns*
Alaska Fisheries Council
Office of the Governor

Subject: AFC Resolution of November 23, 1982

Date: January 3, 1983

The Alaska Fisheries Council respectfully requests your consideration of the enclosed resolution and accompanying draft legislation.

The resolution and legislation are the cumulation of work first begun in July of 1981 when Budget and Management first flagged FRED Division operating and maintenance funding as an area of potential problems, given the imposition of the spending limit. A cabinet-level steering committee and then a working group were formed. A number of options were reviewed; the steering committee narrowed the list to five. After additional study, the Alaska Fisheries Council met to review the options. Four have significant constitutional or political problems. The remaining option -- selected transfer -- while not free of objections, was judged worthy of your consideration.

Should your administration make the decision to introduce the enclosed legislation, passage of the bill and subsequent transfer of selected FRED production facilities to the private sector will not be a panacea in that FRED budgetary requirements will not be reduced. Future increases, however, will not grow as rapidly without transfer. If Alaska is to have a competitive and healthy salmon industry on into the future, FRED will need to be funded at a rate commensurate with other A.D.F. & G. divisions.

A plethora of background materials are available. If your office requires further input, please contact us.

Enclosures

RESOLUTION
OF THE
ALASKA FISHERIES COUNCIL
November 23, 1982

WHEREAS, the Fisheries Rehabilitation, Enhancement & Development Division of the Alaska Department of Fish and Game has played a vital role in the State of Alaska's Salmon Enhancement Program; and

WHEREAS, the Fisheries Rehabilitation, Enhancement & Development Division shall continue to play a vital role in the support of the Salmon Enhancement Program by providing technical services such as pathology, genetics, and limnology, as well as to produce fish in areas not suited for cost recovery for the benefit of all Alaskans, be they subsistence, sport, or commercial users, and continue to develop new biotechnology; and

WHEREAS, the People of the State of Alaska have expressed their edict by imposing a spending limit as an amendment to the Constitution of the State of Alaska; and

WHEREAS, the provisions of the spending limit may cause funding problems that jeopardize the statutorily required and other vital contributions of the Fisheries Rehabilitation, Development & and Enhancement Division to the Alaska Salmon Enhancement Program; and

WHEREAS, the policy of the State is to promote enhancement of the State's salmon fisheries through private, non-profit regional aquaculture associations comprised of all of the various user groups, thereby furthering a valid public purpose; and

WHEREAS, the search for viable options has been exhaustive and but one found; NOW THEREFORE BE IT

RESOLVED that the Alaska Fisheries Council respectfully recommends to the Governor of the State of Alaska that legislation be introduced by his hand to grant authority to the Commissioner of the Department of Fish and Game to sell or lease State-owned salmon hatcheries to Qualified Regional Aquaculture Associations, and further be it

RESOLVED that the Alaska Fisheries Council respectfully recommends to the Legislature of the State of Alaska that said legislation be enacted into law, and further be it

RESOLVED that the Commissioner of the Department of Fish and Game initiate sincere negotiations with those Qualified Regional Aquaculture Associations who apply to lease or buy state-owned salmon hatcheries within their respective regions and that said negotiations be concluded in a timely fashion.

Signed,

Curt Kerns, Chairman
Alaska Fisheries Council

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: CSHB 393 (Fish)
 Title: State-owned hatcheries
 Sponsor: House Fisheries Committee
 Requestor: House Fisheries Committee

II. FISCAL DETAIL

Agency Affected: Fish and Game
 Program Category Affected: FRED
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		138.6	145.5			
200 TRAVEL		42.1	44.2			
300 CONTRACTUAL		17.5	1.6			
400 COMMODITIES		.7	.9			
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		198.9	192.2			

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		198.9	192.2			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not Identified

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Denise Leane Phone: 465-4120
 Division: Administration Date: _____

Approved by Commissioner: Denise Leane for Dir Date: 5/17/83
 Department: Fish and Game

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

3/8/83

Analysis of CSHB 393 (Fisheries)

This analysis assumes that all six hatcheries in the Committee Substitute are transferred to Regional Aquaculture Associations. Since current law requires a Private Non-Profit (PNP) Hatchery permit to operate a hatchery, the fiscal requirements are based on a transfer through the presently established PNP salmon hatchery permitting process.

This process includes a series of technical reviews of the applications by Department of Fish and Game staff and the Regional Planning Teams: development and finalization of Basic Management Plans; public hearings; coordination of technical assistance meetings; and a review, analysis, and summation of all information resulting in a recommendation to the Commissioner of the Department of Fish and Game on the application.

The services of a fisheries biologist, professional planner, program coordinator, and associated clerical staff are included in the projected fiscal requirements.

Additionally, 15.0 has been included in contractual for FY 84 to finance an independent appraisal of the hatcheries.

200

Sec. 16.10.425. OPERATION OF STATE HATCHERIES.

(a) The commissioner may by lease transfer the operation of state-owned salmon hatcheries listed in AS 16.10.436 to regional associations that

(1) are qualified under AS 16.10.380;

OK (2) comply with the permitting requirements in AS 16.10.400-470; and

(3) apply for a transfer under (c) of this section.

(b) A lease to operate a state-owned salmon hatchery shall provide that the lessee shall be responsible for the operation of the hatchery in compliance with AS 16.10.420, the maintenance and upkeep of the hatchery, and shall indemnify the state against liability for harm or loss arising from the operation of the hatchery during the period of the lease.

~~(c) Application for the transfer of the operation of a state-owned salmon hatchery shall be made on a form provided by the department.~~

~~(d) The lessee is not eligible for a loan under AS 16.10.500-550 for the operation of a state-owned hatchery transferred under the provisions of this section.~~

Alaska State Legislature



REPRESENTATIVE

POUCH V
JUNEAU, ALASKA 99811

ROBERT H. "BOB" BETTISWORTH

P.O. BOX 80288
COLLEGE, ALASKA 99708

MEMORANDUM

DATE: May 12, 1983

TO: Rep. Adelheid Herrmann, Chairperson
House Special Committee on Fisheries

FROM: Rep. Bob Bettisworth

RHB

RE: Proposed CS for HB 393

Sec. 2 AS 16.10 is amended by adding new sections to read:

Sec. 16.10.435. OPERATION OF STATE HATCHERIES. a) The commissioner shall by lease transfer the operation of state-owned salmon hatcheries to non profit corporations that have received a permit under AS.16.10.400-470, and have applied for a transfer under (c) of this section.

Delete lines 3 through nine on page 2. In it's place, the following letter of intent.

It is the Legislature's intent that the Dept. of Fish and Game, and the Fisheries Rehabilitation, Enhancement and Development Division concentrate their efforts on transfer of state hatchery operations to the private sector. The Department should emphasize particular efforts to transfer the Beaver Falls hatchery, the Main Bay hatchery, the Cannery Creek hatchery, the Klawock hatchery, and the East Creek hatchery by the year ending December 31, 1983.

In addition, the Department is charged with providing supportive information to the legislature on all permit requests denied under A.S. 16.10.400-470. This information will be presented to the Legislature in layman's terms, no later than the fifteenth day of each session.

If this amendment is adopted the Intent Language would read as follows:

It is intended that the Klawock Hatchery, Beaver Falls Hatchery, Cannery Creek Hatchery and the Main Bay Hatchery be funded at 50% to allow for operations through December 31, 1983 at which time it is intended that these hatcheries be transferred to private non-profit aquaculture associations. In the event that the Department is unable to transfer these hatcheries due to:

- (1) non passage of legislation authorizing transfer of hatcheries, or
- (2) a non-profit aquaculture association's refusal to assume the operation of a hatchery,

it is then intended by the Legislature that the four hatcheries not be shut down without further review by the Legislature. If this occurs the Department shall utilize existing funds and submit to the Legislature by January 31, 1984 a request for a supplemental appropriation together with a report explaining why the Department was not able to implement this Legislative Intent.

BILL ANALYSIS - HB 393

Section 1 explains the reduction in operating funds available for state hatcheries and the interest in keeping them operating through transfers to private nonprofit operators.

Section 2 instructs the commissioner to provide transfer application forms for state hatcheries, to lease transfer hatcheries to qualified regional associations or local nonprofit hatchery corporations (under AS 16.10.380), and provides that the lease provisions stipulate that responsibility for operation and liability is the lessee's.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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Signed,

Curt Kerns, Chairman
Alaska Fisheries Council

Frederick Muller
Deputy Commissioner
Personnel Management
Department of Administration

DATE: January 28, 1982

FILE NO:

Appendix #VI

TELEPHONE NO: 465-2250

SUBJECT: Fish and Game

+ FROM *Me*
George Elgee
Director
Division of General Services & Supply
Department of Administration

Relating to the Fish and Game budget problem, you have asked if it is possible to sell or lease, to a non-profit organization, the State of Alaska's fish hatcheries and if so what problems could follow and is it possible to have hatcheries constructed, operated and maintained by persons or firms other than state employees?

Alaska statutes 16.05.050 Powers and Duties of Commissioner. The Commissioner has, but not by way of limitation, the following powers and duties.

(2) through the appropriate state agency, acquire by gift, purchase or lease, or other lawful means, lands, building, water, right of way, or other necessary or proper real or personal property when the acquisition is in the interest of furthering an objective or purpose of the department and the state;

(3) design and construct hatcheries, pipe lines, rearing ponds, fishways, and other projects beneficial for the fish and game resources of the state;

(4) accept money from any person under conditions requiring the use of money for specific purposes in the furtherance of the protection, rehabilitation, propagation, preservation, or investigation of the fish and game resources of the state or in settlement of claims for damages to fish and game resources;

In general, AS 16 gives broad powers to the Commissioner of Fish and Game to manage the state's fish and game resources. 1. allows both public and private hatcheries, regional corporations to construct and own hatcheries and even states that Fish and Game must cooperate in the design, construction and operation of hatcheries. AS 16.10.500 even allows grants to non-profit organizations for the construction and operation of hatcheries.

You can see from the above, we can do almost anything we want to do with a hatchery.

I would suggest that we do not sell any of the hatchery sites. The Department of Natural Resources, by statute, sells all state lands. We do not want to get them involved. Department of Transportation and Public Facilities normally sells all state buildings, we don't want to get them involved either. That leaves us with lease and/or operational agreements.

Operational agreements are not new. We currently have such an agreement in Anchorage at the Pioneers' Home where the kitchens are operated by others, yet we retain full ownership. In effect, we could contract with outside groups (profit or non-profit) to allow them to use our facilities and charge them a fee and also have management oversight. We could cancel this contract if we thought they were not doing a good job, etc.

One major problem will have to be faced if we are talking about current facilities and that is the union problem of displacing APEA employees with the contractor's employees. I also believe we may have the same problem with any new hatcheries that are not staffed by APEA types. You should check this with Sandra Withers.

Another concern of mine is our Housing Program. At this time I have several million dollars of replacement houses on the drawing boards, in construction or in planning stages. If we are not to retain ownership of these units, I certainly do not want to expend the funds.

All hatcheries have living space that is substandard and needs to be replaced. yet I have other pressing needs for that money.

Fred, I guess the bottom line is we can do what every it is we want to do. Keep me advised.

GE/AMS/mm
3/GSSB/A

MEMORANDUM

State of Alaska

The Honorable William R. Hudson DATE May 28, 1980
Commissioner
Department of Administration FILE NO J-66-737-80

TELEPHONE NO

FROM AVRUM M. GROSS SUBJECT Negotiated sale of excess
ATTORNEY GENERAL or surplus housing

By:
Rodger W. Pegues
Assistant Attorney General

You have asked whether you may dispose of surplus housing to employee-residents by negotiation.

No statute requires disposal by bid, and the applicable statute, AS 44.71.010, expressly allows for disposition "on the terms [you] consider for the best interests of the state." Some record of how the chosen terms serve the best interests of the state should be a part of the file. Otherwise, there are no other requirements.

The applicable regulations, 2 AAC 20.010(a)(1), allows either a negotiated or competitive sale.

There is no constitutional requirement for a competitive sale. Such requirements as exist are to be found in the statute. Libby v. City of Dillingham, P.2d _____ (Alaska Sup. Ct. Op. No. 2097, May 23, 1980). Here, it is the best interests of the state which must be served.

RWP:cb



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

MEMORANDUM

To: Members
Hatchery Funding Steering Committee
Office of the Governor

From: W.I. "Bob" Palmer *WB*
Special Projects Coordinator
Office of the Governor

Date: April 1, 1982

Re: Workgroup Interim Report

1.0 INTRODUCTION

1.1 MEMBERSHIP

W.I. "Bob" Palmer, Chairman
Fred Muller, Department of Administration
Tom Chester, Budget and Management
Eric Laschever, Budget and Management
Mark Siegars, Budget and Management
John McMullen, FRED Division, ADF&G
Pete Froehlich, Department of Law

Resource Persons:

Curt Kerns, Alaska Fisheries Council
Armin Koernig, Prince William Sound Aquaculture Corporation
Ron Wendte, Southern Southeast Regional Aquaculture Association
Ladd MaCauley, Douglas Island Pink and Chum
Richard Matthews, Armstrong-Keta
Ken Parker, CommFish, ADF&G
Pete Bushre, Department of Revenue
Bob Clasby, CommFish, ADF&G

APPENDIX 8

SELECTIVE TRANSFER OF FRED DIVISION SALMON HATCHERIES: ADVANTAGES AND DISADVANTAGES

1.0 Arguments Supporting Selective Transfer of State Hatcheries to Qualified Regional Associations

1.1 Philosophical Concerns

1.11 User groups pay the costs for hatchery O&M and CIP improvements and completions instead of the general public.

1.12 It is in keeping with the basic philosophy that "government should only do for the people what the people cannot do for themselves."

1.13 Avoids potential conflict of interest by at least a partial separation of production role from regulatory role.

1.14 Stronger user group input and control via elected board members, therefore, more actual public control vs. state agency control by, at times, entrenched bureaucrats.

1.15 Encourages interested user group members to volunteer to help themselves more than a state operation would and provides jobs for young people at less than minimum state wages.

1.16 Encourages cooperation between sports, subsistence and the various gear groups of commercial fishermen working for a common cause.

1.17 Allows for faster overall program development thus enabling Alaska to establish a claim to its fair share of of the ocean pasture.

1.18 Encourages longer term view point by user groups as opposed to "3 R's" so prevalent throughout the history of Alaska.

1.2 Economic Considerations

1.21 Eases spending limit problems while not adversely impacting other ADF&G programs or missions.

1.22 Saves state O&M and CIP improvements and completion costs over project life. This savings will be in excess of \$100 million of General Funds monies. Although O&M loans will be necessary for the first two years of private operation while hatchery production is reaching full capacity -- such loans will be repaid and are an investment of non-renewable oil monies in the development of a healthy renewable resource economy.

1.23 Strong incentive to quickly bring facilities up to

full production thus the user groups are able to harvest fish sooner. Secondary benefits also accrue at an earlier date.

1.24 State purchasing and personnel regulations and statutes, while written to protect public funds, may not be flexible enough to react in a timely manner when a quick operational response is necessary.

1.25 Stronger incentives for cost effectiveness due to scrutiny by selected board members, salmon enhancement tax payers or voluntary assessment contributors.

1.26 As oil revenues decline some Legislators may be tempted to close FRED hatcheries. Selected takeover allows for a more stable funding base. Hatcheries, being long term projects, require a long term, relatively stable financial base.

1.27 The private sector has a stronger incentive to sell fish, therefore a stronger incentive for the full utilization of the fishery resource.

1.3 Legal/Political

1.31 Avoids severe political controversy that will result if state attempts to sell fish. Resulting controversy could severely damage enhancement program -- public and private.

1.32 ADF&G has authority under general powers to sell fish. Explicit statutory authorization is preferred, however. A new statute is unlikely to pass due to strong opposition of the present limited entry permit holders objecting to new class of entry permits being created.

1.33 State fish sales of large blocks of fish could result in market dislocations by upsetting the delicate balance between sellers and buyers.

1.34 State fish sales may be considered program receipts. However, the legislature is under no obligation to appropriate those program receipts unless they go into a dedicated fund. If a defacto dedicated fund is created, other state agencies may be encouraged to attempt to set up their own. In the long run, uncertain oil revenues could result in FRED hatchery closings even if all of the very severe problems of state fish sales could be worked out.

1.35 By user groups bearing costs of some of the hatcheries, more public support is generated for the overall program in that benefits accruing to a readily identifiable special interest group are paid for by that group.

2.0 Arguments Against Selective Transfer Of State Hatcheries To Qualified Regional Associations

2.1 Philosophical Concerns

2.11 If hatcheries are transferred the State will lose some of its control over the facility and its management.

2.12 Large runs of adult fish returning to Regional Association hatcheries may motivate the operators to attempt to influence State management decisions.

2.13 In the near term, hatchery transfers will reduce FRED Division employee morale.

2.14 In the near term, hatchery transfers may lessen the degree of cooperation between the Department of Fish and Game, especially the FRED Division, and the Regional Associations.

2.15 Removing hatcheries from State operation may result in either reducing the supply or increasing the cost of salmon eggs or fry required for other rehabilitation or enhancement projects run by the State.

2.16 The FRED Division has more fish culture experience than the Regional Associations.

2.17 At those hatcheries transferred, the FRED Division hatchery personnel will be terminated from State employment. These personnel may or may not be hired by the Associations, at the Associations discretion.

2.3 Economic Considerations

2.21 The fishermen harvesting hatchery fish will catch a smaller portion of the run returning to a hatchery. With hatchery operation costs paid for out of the general fund for state operated hatcheries the fishermen can harvest the entire adult return less broodstock. If the facilities are operated by Regional Associations, the fishermen will have to forgo catching "cost recovery" fish.

2.22 As no Regional Association loan payments are due, it is as yet uncertain whether the corporations will be able to repay the loans they have secured from the State.

2.23 There is no economic advantage to transferring facilities because the State could either sell fish or levy extra taxes to support the costs of its hatchery operation.

2.24 Financial stability of the hatchery program will not be increased because revenues to the Regional Association hatcheries will vary annually with fish survival rates, fish prices and harvest rates in the common property fisheries.

2.25 The cost of facility operation by the Regional Associations may be no less than the cost of operations by the State.

2.26 The composite "overhead" costs of the Regional Associations may be greater than that of the FRED Division. The four regionals each maintain an office, the FRED Division has only one central office.

2.27 An analysis of economic feasibility will be required for each facility proposed for transfer.

2.3 Political/Legal Uncertainties

There are many legal questions relating to any transfer-- some are of a general nature, some are site specific.

2.31 The legality of transferring state property to Regional Associations is questionable.

2.32 Contractual lease arrangements which would provide for operation of state owned hatcheries by the Regional Associations need to be developed.

2.33 Contractual rights of State employees currently operating facilities to be transferred need to be examined.

2.34 The ability of the Regional Associations to borrow monies to operate the facilities need to be guaranteed until sufficient adult returns make cost recovery possible.

2.35 The ownership of any capital improvements which may be made by the Regional corporations during the term of any lease agreement needs to be defined.

2.36 Transferability of any contractual agreements, permits, permits or authorizations relating to hatchery siting or operations, which the State has obtained need to be confirmed.

2.37 The State Board of Fisheries must promulgate regulations establishing "special harvest areas defining gear and time for hatchery harvest.

2.38 The Commissioner must issue an ADF&G Private-Non-Profit hatchery permit for each facility transferred, specifying species, capacities, egg take and fish release sites, Basic Harvest Management plans, etc.

Costs Associated with State Salmon Hatcheries in Alaska, 1961.

Locality	Primary Species	Operating costs (thousands)			Capital cost (millions)		
		FY 62	Full Production	Admin. and Evaluation	Present	Future	Total
Avner Falls	chum	268.0	300.0	60.0	0.79	3.686	4.476
Deer Mountain	king-steelhead	205.0	250.0	50.0	0.86	0.071	0.931
Lawock	chum	382.0	500.0	100.0	5.32	5.175	10.495
Crystal Lake	king-coho	422.0	450.0	90.0	3.50	1.219	4.719
Golden Falls	chum-king	445.0	600.0	120.0	5.32	5.175	10.495
Kettisham	chum-king-coho	371.0	450.0	90.0	7.10	3.098	10.198
Ministry Creek	pink-chum	349.0	450.0	90.0	4.14	0.925	5.065
North Bay	pink-chum	136.0	500.0	100.0	8.34	2.00	10.34
North Lake	sockeye-coho	205.0	250.0	50.0	1.00	0.60	1.60
North Creek	rainbow-coho	569.0	650.0	130.0	12.70	6.793	19.493
North Lakes	sockeye-king-coho	52.0	800.0	160.0	6.30	2.35	8.65
North of	sockeye	217.0	300.0	60.0	1.50	---	1.50
Northka	pink	311.0	350.0	70.0	1.37	1.45	2.82
Northol	pink-king	321.0	400.0	80.0	1.11	4.20	5.31
Northluk	sockeye	171.0	250.0	50.0	1.60	---	1.60
Northsell Creek	chum-pink	533.0	500.0	100.0	10.57	7.25	17.82
Northst Creek	sockeye	326.0	350.0	70.0	3.00	1.87	4.87
Northear	king-rainbow-sheefish	274.0	325.0	65.0	1.13	6.00	7.13
Northkusullaq Springs	chum	139.0	350.0	70.0	1.43	1.00	2.43
Northlkana	sockeye	141.0	175.0	35.0	0.05	---	0.05
TOTALS		5037.0	8200.0	1640.0	77.13	52.682	129.992

APPENDIX 3

Classification of Other FRED Facilities

1.0 Sport or Tourism

Region	Hatchery	FY 82 O&M costs Thousands	Completion Capital required-Millions	Full production yearly O&M cost Thousands
SE	Deer Mt.	246.0	0.071	330.0
CI	Ship Creek	682.8	6.793	840.0
FBX	Clear	328.8	6.000	420.0
Total		1,257.6	12.864	1,590.0

2.0 Research

Kotzebue	Sikusuilag	166.8	1.000	480.0
Dillingham	East Cr.	391.2	1.870	480.0
Kodiak	Karluk	205.2	—	330.0
Paxton	Gulkana	205.2	—	240.0
Totals		932.4	2.870	1,530.0

3.0 Cost Recovery Not Practical or Not Significant

SE	Crystal Lake	506.4	1.219	660.0
CI	Crooked Creek	260.4	—	420.0
CI	Trail Lakes	62.4*	2.350	960.0
CI	Big Lake	246.0	0.600	360.0
Totals		1,396.8	7.855	2,820.0

4.0 Cost Recovery Possible, No Active Regional Associations

Kodiak	Kitoi	385.2	4.200	480.0
Cold Bay	Russell Cr.†	639.6	7.250	720.0

*not fully staffed
†law suit filed

in the case of those who did not vote by written ballot at the initial public meeting an opportunity to vote. These votes shall be counted with the votes counted at the initial meeting. A majority vote for the assessment is required from the combined total of the returned ballots and the votes by ballot cast at both public meetings, before an assessment may be imposed. No person may vote twice.

(2) The qualified regional association shall establish standard registration procedures for voting on assessments under this section.

* Sec. 17. AS 16.10 is amended by adding new sections to read:

Sec. 16.10.600. CREATION OF AUTHORITIES. (a) An association qualified under sec. 380 of this chapter as a regional association is given the authority to form a regional salmon enhancement authority. There is created with respect to each of the associations qualified under sec. 380 of this chapter a public body corporate and politic as a political subdivision of the state to function in the operating areas of the individual associations. Each authority may exercise all powers conferred by secs. 600 - 620 of this chapter.

(b) A regional salmon enhancement authority may not transact business or exercise powers granted to it until the governing body of the association has, by resolution, declared there is a need for the authority to function, given it the authority to function and appointed persons to serve as the board of commissioners of the authority. The number of members of the board of commissioners, their terms of office and the filling of vacancies in office shall be determined by resolution of the governing body of the association.

(c) The regional salmon enhancement authority has jurisdiction to operate in all or part of the operating area of the individual association as determined by resolution of the governing body of the association.

Sec. 16.10.610. TAX EXEMPTION. (a) A salmon enhancement authority is exempt from payment of taxes or assessments for a period of 20 years from the effective date of this Act on property owned by the authority which is used for salmon enhancement purposes.

(b) All obligations or liabilities of a regional salmon enhancement authority remain its own and are not obligations or liabilities of the state.

Sec. 16.10.620. POWERS OF THE AUTHORITY. A salmon enhancement authority has the general power to

- (1) adopt, alter and use a corporate seal;
- (2) prescribe, adopt, amend and repeal bylaws;
- (3) sue and be sued in its own name;

(4) appoint officers, agents and employees and vest them with powers and duties and to fix, change and pay compensation for their services as the authority may determine;

(5) borrow money, make and issue notes and other evidences of indebtedness of the authority for any of its corporate purposes and to secure payment of its obligations by pledge of or lien on all or any of its assets, contracts, revenue and income;

(6) make and execute agreements, contracts and other instruments necessary or convenient in the exercise of its powers and functions, including contracts with any person, firm, corporation, government agency or other entity;

(7) receive, administer and comply with the conditions and requirements of an appropriation, gift, grant or donation of property or money;

(8) invest or reinvest money or funds held by the authority in obligations or other securities or investments in which banks or trust companies in the state may legally invest funds held in reserves or sinking funds or funds not required for immediate disbursement, and in certificates of deposits or time deposits;

(9) acquire, hold, use, lease, sell or otherwise dispose of property of any kind, real, personal or mixed or any interest in it;

(10) do all acts and things necessary, convenient or desirable to carry out the powers granted or implied in secs. 600 - 690 of this chapter;

(11) adopt, amend and repeal rules and regulations necessary.

* Sec. 18. Notification, public meeting and voting procedures instituted before the effective date of this Act that are substantially in compliance with AS 16.10.530(e) shall be considered to constitute compliance with this Act, and are ratified upon the effective date of this Act.

* Sec. 19. AS 16.10.400(d) and 16.10.530(b) are repealed.

* Sec. 20. This Act takes effect immediately in accordance with AS 01.10.070(c).

Fish Tax

The following table presents the value of the salmon harvest to the fisherman for each year from 1970-1980 and shows the amount of funds which would have been generated by a tax of 2.5%, 5% and 10% respectively. A comparison of these revenues to the present and planned costs of the hatchery program is instructive.

The FRED Division was appropriated almost nine million dollars to operate and evaluate State hatcheries in FY 83. This level of operation would have been covered by the revenues generated by the 5% tax starting in 1977. The 2.5% rate would not have generated sufficient funds for the 1983 program, although the 1979 revenues would have almost been enough. An expanded hatchery program, capable of producing 50 million adult fish as called for in the Alaska Salmon Plan, would require an additional \$18 million, or a total of \$27 million, in annual operating funds. These funds would have been generated by the 10% rate in 1979 and 1980.

It should be noted that if the tax is applied statewide, the regions with small hatchery programs may be subsidizing those regions with larger, more expensive programs. A tax on processors would generate an = amount, but would lessen international competitiveness by an unknown amount.

OPTION: PROGRAM ABANDONMENT

The harvesting and marketing of salmon is the most important segment of Alaska's fishing industry, in terms of both employment and value. If the salmon enhancement program is abolished, this segment will suffer. We can expect two general categories of long-term adverse responses: 1) Continued economic inefficiency in the processing and marketing sectors; and 2) reduction in industry revenues over the long-term.

Economic Inefficiency

Despite extreme and progressive fisheries management efforts, salmon populations are characterized by large environmentally-produced fluctuations in numbers.

For example, the 1974 salmon harvest was 21.9 million fish; severe catch restrictions were imposed in several regions. The 1981 harvest was 11.4 million fish, with frequent reports of under-utilized catches and instances of poor product quality.

Extreme catch fluctuations result in markedly lower accrual of societal benefits, due basically to undercapitalization of the processing and marketing sectors. At any given investment level, a minimum number of fish must be acquired in order to meet fixed and variable operating costs, as product prices are typically set internationally. If that minimum number is not handled, whether by a single harvester or a large corporate entity, capital will flow out of the endeavor, and the individual or firm will eventually cease operations. Harvesters protect themselves by entering other fisheries, or by outside employment; processors protect themselves by gearing for production levels that approximate average harvest levels, and by inter-regional transporting of fish. Fish brokers deal with additional fish species, thus reducing emphasis on salmon. Consequently, larger than average runs are inefficiently dealt with in terms of both product quality and production costs.

The Alaska salmon processing sector requires additional investment. Alaska needs not so much additional processing capacity, but rather modernization and updating of existing plants, if Alaskan salmon products are to remain competitive. In many locations, canning methods in particular have changed little since the turn of the century, and have not benefited from more recent developments in mechanization and management common to other areas of the food processing industry. Many plants require complete replacement. They have been fully depreciated by a series of owners, and cannot be used as loan collateral at levels above a fraction of their replacement costs.

If other enhancement program options are pursued, and increased numbers of enhanced salmon result, a base quantity of production can be maintained. Poor years--periods of total closure on naturally spawning stocks, with fishing allowed on just hatchery stocks, may never provide profits, but can cover the fixed and variable costs of production, even at higher investment levels. Processors and marketers can then justify the increased investments that are necessary.

Industry Revenues

The carrying capacity of the sub-Arctic Pacific is unknown with regards to salmon. It is, however, finite-- The enhancement efforts of Japan and

Russia are programmed to approximately double over the next decade. The ocean pastures shall be filled. As it will require several decades to occupy a significant share of salmon pastures, we cannot falter. If insufficient determination is displayed, the Alaskan salmon industry will hold an ever decreasing market share. As other North Pacific rim countries increase their salmon production, the price increases of salmon products can be expected to slow in comparison with the rise of costs associated with goods and services that go into harvesting, processing, and distribution of the product. Market-share and net revenues will subsequently fall, thus additionally discouraging investment.

Alaska State Legislature



POUCH V
JUNEAU, ALASKA 99811

REPRESENTATIVE
ROBERT H. "BOB" BETTISWORTH

P.O. BOX 80288
COLLEGE, ALASKA 99708

F.R.E.D. Position Paper

About 10 years ago, Alaskans mandated the state to use oil revenues for the purpose of rehabilitating and enhancing the fisheries of Alaska, concentrating on the salmon fisheries. This was to encompass the construction and operation of hatcheries around the state, and the initiation and growth of aquaculture research. Now a decade later, it's past time we assessed the progress made by F.R.E.D. (Fisheries Rehabilitation and Enhancement Division).

In the past, prevailing philosophies such as "turf protection" and the use of political patronage have deterred the true rehabilitation and enhancement of Alaskan fisheries. Turf protection being an inordinate concern for the environment, and political patronage resulting in several unsatisfactory hatchery locations. These tactics were allowed due to the lack of monitoring on the part of the previous House majority leadership. I believe they abdicated their responsibility to the public by not following through and seeing that the public was getting their money's worth.

Now, with a new direction set by this Legislature, as to the goals and functions of F.R.E.D. the fisheries will truly be enhanced and rehabilitated. There are no doubts that fisheries enhancement is a viable program. As a matter of fact, it's the only way we can insure Alaska's maintenance and growth in the world market for salmon. There are several policy changes that must be made regarding hatcheries. The State of Alaska needs four strong components to attain its fisheries enhancement goals.

- 1) F.R.E.D. as the research component.
- 2) PNP's (Private Nonprofit Hatcheries) as the production component.
 - a) PNP regional aquaculture associations, which are quite large, will have

the largest production operations.

- b) PNP mom and pops, small independents, will fill in the gaps. This will afford those Alaskans with an independent lifestyle, an opportunity to live this way, and at the same time make a contribution to one of Alaska's greatest renewable resources.
- 3) A strong stream rehabilitation and restocking program for wild stocks.
- 4) A legislature that understands the issue, and is willing to support it for all of Alaska.

To fully implement these new policies, statute and regulation changes must be made. Currently the laws and regulations governing fishery enhancement discriminate against the small independents. The small operators not only answer to F.R.E.D., but also to the regional aquaculture associations. Thereby subjecting small independents to more of a managerial hierarchy, than the regional associations and F.R.E.D. These policies, which again actually discriminate against the small independent, are contrary to what I've always believed Alaska and Alaskans stood for.

When the F.R.E.D. Division began, a goal was set to have a 2.5 billion egg capacity by the year 1990. Therefore, one might presume by 1980 we would be halfway to this goal. However, we're just over one-fifth of the way there, or close to 700 million. Not only are we running short of the 2.5 billion goal, but we're only operating at 40% of current capacity, or 280 million. Regardless of the operating level, the expenses remain the same; on the average \$370,000 annually per hatchery. Though Alaska does enjoy the distinction of being the forerunner in aquaculture research, Japan is leading in production with Russia not far behind.

What's truly distressing are the projections made by both the Japanese and Russians. Japan plans to dump 2 billion fry into the ocean by 1990, and Russia 1 billion by that time. F.R.E.D's original goal of 2.5 billion must be adhered to in order to compete with these countries. However, if major philosophy and management changes are not made immediately, Alaska will not be able to reach this goal and compete in the long-term world market for salmon production.

Experts state that by no later than the year 2000, we will have an international harvest agreement--similar to the 200 mile limit--which will allocate salmon harvests. The allocation basis will be determined by the percentage of fry a given country dumps into the ocean. The problem is that the ocean's threshold can only tolerate a certain number of salmon while sustaining an environment suitable for rearing salmon. Alaska is fortunate, in that salmon originating in Alaskan fresh waters travel much greater distances, and therefore have a greater food supply. This is not so in Washington and Oregon, where salmon are now returning undersized because of over pasturing, or over grazing, their rearing area. If it seems we are in a race against time, we are.

The State of Alaska, through the F.R.E.D. Division, has spent a great deal of money--\$200 million to date, with \$73 million in general obligation bonds, which we are still paying for. The concern is not so much the amount of money spent, but that the return on this money has been minimal, at best.

I contend that Alaskans are not getting the maximum return on their investment. By what comparison? PNP's, those hatcheries run by private associations and individuals. PNP's were initiated about five years ago, versus F.R.E.D.'s 10; to date they've borrowed \$21 million from the state versus F.R.E.D.'s expenditure of \$200 million, with another \$50 million anticipated to bring existing F.R.E.D. facilities to full operating capacity. PNP's egg take in '81 was 223.6 million; versus F.R.E.D.'s 225 million. Returns to PNP's in '81 were 2.2 million; versus F.R.E.D.'s 2.0 million. From these returns, 1.3 million were to a single PNP hatchery, the Prince Williams Sound Regional Aquaculture Association, which is the most productive hatchery in the Western hemisphere. So after 10 years and \$200 million, we see F.R.E.D.'s returns as only 2% of the total salmon harvest in 1981.

These figures prove PNP's are more capable of mass producing fish than F.R.E.D. However,

PNP's capacity is only half that of F.R.E.D. If we are to utilize the superior management capabilities of the PNP's, and do so in an expedient manner, we must transfer those viable state hatcheries to the PNP's. Not all F.R.E.D. facilities can be transferred. For instance, those hatcheries used to enhance the sportfishing industry would not be attractive to PNP's. Basically, those with the potential to increase commercial fishing harvests are the most attractive. Four hatcheries, Beaver Falls in Ketchikan, Cannery Creek and Main Bay located in Prince Williams Sound, and Tutka in Kachemak Bay are being considered for transfer to the regional aquaculture associations in those areas. These hatcheries have good potential to enhance the salmon fisheries. Tutka is an exceptional hatchery; operating above capacity. The other three are currently operating at less than 50% of capacity.

Other hatcheries we are optimistic of transferring are Klawock, East Creek in Dillingham, Russell Creek in Cold Bay, Sikusuilaq near Noatak, and Deer Mountain in Ketchikan. These hatcheries, due to the fact that returns have been minimal, and the Deer Mountain hatchery being tourism oriented, do not warrant state operation. The economic impact from these hatcheries is also minimal, at least on a statewide basis. It's my belief that if the local economic or social impact is great enough, a community will takeover operations.

These policies will take some time to fully implement. We should start this year by transferring several hatcheries, and continue this transfer process over the next year or two. It is essential to follow through on this plan if Alaska is to maintain and expand its worldwide salmon market.

FRED Annual Reports--'81 and '82

		F.R.E.D.	P.N.P.'s
RETURNS:	'81	2.1 million	2.2 million
	'82	1.6 million	5.2 million
EGG TAKE:	'81	225 million	223.0 million
	'82	288 million	235.0 million
RELEASES:	'81	130 million	101.6 million
	'82	196 million	125.7 million

Intent language in the FY'83 F.R.E.D. budget

DEPARTMENT OF FISH & GAME

FISHERIES REHABILITATION ENHANCEMENT DEVELOPMENT

ADMINISTRATION & SUPPORT

INTENT LANGUAGE: The legislature finds that substantial merit exists for the orderly transfer of state-operated fish hatcheries to statutorily qualified private non-profit regional associations. The legislature supports and would encourage the transfer of three (3) facilities during FY 83: the Main Bay, Cannery Creek and Beaver Falls hatcheries. It is the intent of the legislature that the Administration do everything possible to work out the intricacies of such transfers. Furthermore, the legislature finds that an overall re-evaluation of the relationship of state-operated hatcheries and private non-profit hatcheries is in order. It is the intent of the legislature that the Administration coordinate such a review and propose an overall state policy to the 1983 legislative session.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

March 17, 1982

MEMORANDUM

TO: Representative Ken Fanning

FROM: David Teal *Teal*
Research Staff

RE: Disposal of State-Owned Fish Hatcheries
Research Request Number 82-79

John Manly of your staff requested information on procedures for disposing of surplus State property, specifically fish hatcheries. Our research indicates that transfer of State hatcheries to the private sector would be possible, but may require legislative action to pay off outstanding general obligation bonds, revise the laws governing the Fisheries Enhancement Revolving Loan Fund, and/or give State property away. Additional action would be required by executive branch agencies.

AS 44.71.010 (attached) places responsibility for disposal of obsolete or surplus State property on the Department of Administration, but the law does not specify the terms of disposal or the types of property that are covered by the section. The Property Management Section of the Department of Administration stated that the Department deals only with personal or non-real assets; the Department of Natural Resources has responsibility for disposal of land.

Hatchery Sites

According to Lowell Barrick of the Department of Fish and Game, the State owns only two of the 20 sites on which State hatchery facilities are located. Two hatchery sites are on military reservations, one is owned by the city of Ketchikan, one is owned by an individual and rented to the State, and three or four are owned by Native corporations. The remaining ten or 11 are available through special use permits issued by the United States Forest Service. Ownership is not clear in some cases where hatchery sites are included in Native land selections that have not yet been transferred from the federal government to the corporations.

Representative Fanning

March 17, 1982

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Forest Service permits are issued at the discretion of individual forest managers, but spokesmen said that the Forest Service has a general policy of support for hatcheries and they did not expect any problems with permits for private sector hatchery operators. Although they did not think the permit fee of five percent of appraised value of the land could be waived for private users, they said that attempts to make transfer of permits as smooth as possible would probably be made. The permits are usually for five or ten years and can be issued in "guaranteed renewable" form.

Chapter 38 of Alaska statutes governs disposal of State lands. The Department of Natural Resources can dispose of State lands only through auction, lottery, or negotiated sale or lease. Conveyances to nonprofit corporations according to rules specified in AS 38.05.315 (attached) may allow private use of hatchery sites at a lease rate of one percent of fair market value, but a department spokesman said that only the Legislature could give away State land. A legal opinion may be required to determine whether hatchery sites meet the "social welfare" and "public use" restrictions of AS 38.05.315.

Military and non-government owners were not contacted to determine whether transfer of hatchery ownership would result in loss of land use privileges. If you would like the agency to check with these owners, please give us a call.

Non-Real Property

According to the Division of Legal Services, bonded indebtedness is the major problem with transfer of hatchery facilities. Because the hatcheries were funded by general obligation bonds, transfer of hatcheries probably could not occur unless the bonds were paid off first. According to the Department of Fish and Game, all hatchery facilities have bonded debt outstanding. Total capital cost as of December 31, 1982 was over \$73 million, and expenditures of over \$52 million on existing facilities are anticipated. Tamara Cook, from Legal Services, said that if the financing issues could be resolved, transfer of facilities to the private sector would not be a serious problem.

The Department of Administration is responsible for disposal of non-real property. A department spokesman said that once the question of bonds is resolved, sale of hatchery facilities would not be difficult. He said that giving the facilities away could present some problem, but noted that non-real property can be (and has been) donated to recognized nonprofit aquaculture associations. Tamara Cook stated that the "public purpose" statute is very broad and that if the Legislature wants to give hatchery facilities away to private nonprofit corporations, it can probably do it.

Representative Fanning
March 17, 1982
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Fisheries Enhancement Revolving Loan Fund

The attached description of the Fisheries Enhancement Revolving Loan Fund is from House Research Agency Report Number 81-14. Marty Lentz, from the Division of Business Loans, stated that the Division would probably not be able to lend funds for purchase of an existing hatchery. AS 16.10.500 specifies that funds may be loaned for planning, constructing or operating a hatchery, but it does not mention loans for purchasing an existing facility.

In addition, Mr. Lentz pointed out that the current limits on maximum loan amounts and current level of appropriations would prevent the Fund from making loans of the size required to purchase most State facilities at fair market value. Unless the Legislature revises laws governing the Loan Fund, private financing may have to be obtained in order to purchase hatcheries. It is unlikely that private financing would offer terms similar to those available through the State program.

* * *

I hope this information is helpful. If additional information is desired, please call.

Attachments

Sec. 44.68.030. Exemptions. AS 44.68.010 — 44.68.040 do not apply to the use of vehicles by the governor. (§ 3 ch 178 SLA 1959)

Sec. 44.68.040. Violations. A state officer or employee who violates AS 44.68.010 — 44.68.040 or a rule adopted under AS 44.68.010 — 44.68.040 is subject to dismissal from state employment upon hearing as provided for other dismissals for cause. (§ 4 ch 178 SLA 1959)

Chapter 71. Surplus Property.

Article

1. Disposition of Surplus State Property (§ 44.71.010)
2. Acquisition of Federal Surplus Property (§§ 44.71.020 — 44.71.040)

Article 1. Disposition of Surplus State Property.

Section

10. Disposition of obsolete or surplus state property

Sec. 44.71.010. Disposition of obsolete or surplus state property. The Department of Administration shall take possession of obsolete or surplus property of the state for which there is no immediate or prospective use, except abandoned or obsolete school buildings and other school property. It shall also take possession of property remaining in the control of a commission or board of the state government after the commission or board stops functioning. The Department of Administration shall sell, lease, license, or dispose of the property on the terms it considers for the best interests of the state. (§ 13-1-4 ACLA 1949)

Revisor's note. — Section 13-1-4 ACLA 1949 was repealed by § 48 ch 133 SLA 1951. Section 1 ch 24 SLA 1953 repealed ch 133 SLA 1951 and § 2 ch 24 SLA 1953 reenacted § 13-1-4 ACLA 1949 as it appeared in ACLA 1949.

Am. Jur. 2d references. — 1 and 2 Am. Jur. 2d, Administrative Law, § 1 et seq.; 63 Am. Jur. 2d, Public Officers and Employees, § 22.

Article 2. Acquisition of Federal Surplus Property.

Section

20. Authority and duty of Department of Administration

Section

30. Financing surplus property service
40. Authorization to accept property

Sec. 44.71.020. Authority and duty of Department of Administration. (a) The Department of Administration may:

- (1) acquire from the United States under The Federal Property and Administrative Services Act of 1949 as amended, referred to in AS 44.71.020 — 44.71.040 as the "Federal Act," and other applicable Federal statutes and regulations, (63 Stat. 377 et seq., 40 U.S.C.A. 471

Effect of amendments. — The 1978 amendment, in present subsection (a), deleted "without public notice" following "renewal lease issued" and substituted "120 days" for "90 days" in the first sentence, and substituted "§§ 75 — 85 and § 97" for "and §§ 75 — 85" in the fourth sentence.

The 1979 amendment added the subsection (a) designation, substituted "AS 38.05.315, 38.05.320, 38.05.057, 38.05.075 — 38.05.085 and 38.05.097" for "AS 38.05.315 and AS 38.05.320, 38.05.075 — 38.05.085 and 38.05.097" in the last sentence of subsection (a), and added subsection (b).

Sec. 38.05.315. Public and charitable use. (a) The lease, sale, or other disposal of state land or resources may be made to a state or federal agency or political subdivision, or the lease, sale, or disposal of coal deposits suitable for mining may be made to a utility owned and operated by a government agency or nonprofit cooperative association organized to participate under the Federal Rural Electrification Act for the purpose of generating electric power and energy or the production of process steam, or both, for less than the appraised value as determined by the director and approved by the commissioner to be fair and proper and in the best interests of the public, with due consideration given to the nature of the public services or function rendered by the agency, subdivision, or utility making application, and of the terms of the grant under which the land was acquired by the state.

(b) Notwithstanding AS 38.05.070 — 38.05.080 and 38.05.095, the director, upon application filed by an applicant eligible under (b) — (d) of this section, may, by negotiation and without public auction in the manner prescribed in (b) — (d) of this section, lease state land for a term of not more than 55 years. Before leasing, the director shall prepare a land use plan and a land classification to insure that the proposed use is compatible with area utilization. Before the land may be leased under (b) — (d) of this section, it must be shown to the satisfaction of the director that the land is to be used for an established or definitely proposed project, and that the eligible applicant has the financial ability to carry out the project. The commissioner may establish limitations on the acreage which may be leased under (b) — (d) of this section to an applicant.

(c) Eligible applicants under (b) — (d) of this section are limited to nonprofit corporations, associations, clubs, or societies organized and operated exclusively for charitable, religious, scientific, or educational purposes, or for the promotion of social welfare, if the project for which the land is desired conforms to those objectives and not commercial development. No lease of land may be granted under this section for a project closed to the use and enjoyment of the general public. In every case the applicant shall submit evidence that it is exempt from payment of federal income tax. As a condition of and in consideration of the rights acquired under a lease granted under (b) — (d) of this section, each eligible organization and its parent or subsidiary organizations shall (1) maintain and preserve books, accounts, and records that the director prescribes by regulation as necessary and appropriate;

and (2) accord at all reasonable times to the state and its authorized agents and auditors the right of access to those books, accounts and records for the purpose of inspecting, examining and copying them. Any information provided the state in the course of an audit becomes a matter of public record.

(d) The director may lease the land to an eligible applicant at a reasonable annual rental, taking into consideration the purposes for which the land is to be used and the financial resources of the applicant. The rental may not be less than one percent of the fair market value on lands acquired primarily for development, or less than five percent of the fair market value on university or acquired lands. Rent may not be charged for state land leased for a youth encampment. For the purposes of this subsection, "youth encampment" shall be defined by the commissioner by regulation. Renewal leases may be issued at the discretion of the director upon the expiration of a primary or renewal term. Each lease shall contain a provision for its termination as to all or part of the lands upon a finding by the director that the land or a part of it has not been used by the lessee for the purpose specified in the lease for a period of two years. No lease may be assigned or subleased except with the consent of the director, and in any case may only be transferred to an applicant eligible under (b) — (d) of this section. A lessee may not change the use specified in the lease to another or additional use except with the consent of the director. If, at any time after the land is leased, the lessee attempts assign the lease or transfer control over the land to another, or if the land is devoted to a use other than that for which the land was leased without the consent of the director, the lease automatically terminates.

(e) The lease, sale, or other disposal of state land at appraised fair market value may be negotiated with a licensed public utility or a licensed common carrier by the director with the approval of the commissioner if the utility or carrier reasonably requires the land for the conduct of its business under its license.

(f) The commissioner shall lease state land for telephone or electric transmission and distribution lines for less than the appraised value of the land if the lessee is a nonprofit cooperative association organized under AS 10.25.010 — 10.25.650. Before he determines the annual rental, the commissioner shall consider the nature of the public service rendered by the nonprofit cooperative association and the terms of the grant under which the land was acquired by the state. A nonprofit cooperative association may not construct improvements other than transmission or distribution lines and substations on land leased under this subsection. (§ 4 art III ch 169 SLA 1959; am § 1 ch 155 SLA 1960; am § 1 ch 137 SLA 1962; am § 1 ch 36 SLA 1976; am § 12 ch 257 SLA 1976; am § 1 ch 76 SLA 1980; am §§ 34, 35 ch 113 SLA 1981)

FISHERIES ENHANCEMENT REVOLVING LOAN FUND

LOAN PROGRAM This loan program is administered by the Department of Commerce and Economic Development, Division of Business Loans.

AS 16.10.500 - 16.10.620; enacted in 1976; amended in 1977, 1979, and 1980

Purpose

To provide long-term, low-interest loans to regional associations for hatchery planning, construction, and operation.

Method

Applicant must obtain a salmon hatchery permit (some loans and grants are available for preconstruction activities necessary to obtain a permit) and then apply to the Division of Business Loans, Department of Commerce and Economic Development, whose Loan Committee reviews the application. Loans are purchased from Commerce and Economic Development by the Department of Revenue.

Eligibility

The borrower must be either a nonprofit corporation formed by a regional aquaculture association, or a local nonprofit corporation approved by the regional association, or any nonprofit hatchery corporation with a State permit.

Terms

Maximum Amount: \$6,000,000, to a nonprofit regional association or its designate; \$1,000,000, to any other nonprofit hatchery corporation
Collateral: Determined by the Commissioner; some collateral required by statute
Maximum Term: 30 years
Interest Rate: 9.5%

Funding Sources

- General Fund appropriation
- Interest earned on loans

•FY 80 was the first year for which the program received an appropriation; the only funding before that time came from loan pre-purchases by the Department of Revenue.

Reporting Requirements

AS 37.05.035 requires that each State agency which makes or purchases a loan prepare a report by January 30 of each year on the total loans, by type, made or purchased during the preceding fiscal year. The report must include:

- the estimated rate of interest that would have been charged if the loan had been made or purchased at the prevailing market rate;
- the difference between 1) the return which would have been realized had the loan been made at the prevailing rate, and 2) the return on the loans at the interest rate actually charged by the State; and
- an analysis of the income groups that benefit directly from the loan program.

REPORT
SUMMARY

The Department of Commerce and Economic Development issued its FY 80 report for the Fisheries Enhancement Loan Program on January 29, 1981.

The report provides, for each month, the dollar amount of the loans approved, the interest rate given, and the projected income from the loans, assuming they go to full term. The market interest rate for each month is also given, as well as the difference between the projected interest income to the State from the lower State rate and the total interest income that the prevailing market rate would have yielded.

From 16 applications, the program made 11 loans during FY 80. These loans totaled \$4,541,000, and carried an interest rate of 9.5%; the projected interest income from these loans is \$7,362,600. Had the loans been made at the prevailing interest rate, which ranged from 12.5% to 18% during those 12 months, the loans would have had a projected total interest income of \$10,877,029, or \$3,514,429 more.

47700

Iñarpiik Regional Aquaculture Corporation

"Big Boy Aquaculture Corporation"

P.O. Box 10022 • Fairbanks, Alaska 99716 (907) 542-3223

March 22, 1983

Mr. Frederick A. Smith Bellmann
Pouch V
Juneau, Alaska 99811

Dear Edithed,

Iñarpiik Regional Aquaculture Corp. would like to formally propose to take over the East Creek Hatchery at Snake Lake. We would accept from the State on a grant basis all buildings and machinery to be used as a research facility at present. It might be in the future that it would be used as a full hatchery. We hate to see the facilities dismantled and hauled off. Also in the transaction we are requesting operating funds as outlined in our proposed budget. (enclosed). We feel this has great potential for the future. After all the State has spent over 3 million dollars on this facility and it would seem a great waste to let it go. Also enclosed is a resolution from our Board supporting our efforts.

Regards,

Frederick Roberts
Frederick Roberts

cc. Senator Bob Malcomby 3716
Senator Bob Battisworth 4967
Senator Arliss Sturgulewski 3818
Rep. Jack McBride 4919
Rep. Ben Grossendorf 3824

BRISTOL BAY NATIVE ASSOCIATION

P.O. BOX 189

DELDORNO, ALASKA 99576

By Executive Committee

East Creek Fish Hatchery

Resolution No. 83 - 10

WHEREAS, the Iliapik Regional Aquaculture Corporation (IRAC) is actively seeking funding to keep the East Creek Fish Hatchery as an ACTIVE fish hatchery; and

WHEREAS, the Iliapik Regional Aquaculture Corporation is actively seeking a Science/Educational Permit to study King and Coho Salmon.

NOW THEREFORE BE IT RESOLVED by the Bristol Bay Native Association, that BRNA supports such efforts by Iliapik Regional Aquaculture Corporation.

SIGNED: William P. John
PRESIDENT

CERTIFICATION:

I, the undersigned secretary of said Association, do hereby certify that the Executive Committee is composed of ten (10) members, of whom 6 were present at a meeting this 1st day of March, 1983, and that the foregoing resolution was adopted by the affirmative vote of 4 members.

SIGNED: W. C. ...
SECRETARY

3073

Proposed Budget
East Creek Rancherie

Agriculturists (2) -----	\$70,000.00
Fringe @10% -----	\$7,000.00
Manager 8 1/3 -----	\$8250.00
Secretary @1/3 -----	\$6000.00
Fringe for above -----	\$1425.00
Travel and per diem -----	\$6000.00
Lease fees -----	\$2772.00
Telephone and Postage -----	\$1200.00
Office supplies -----	\$1200.00
General expense* -----	\$52,000.00

Total -----

To include; \$155,847.00

Diesel fuel

Spare parts

Mechanic. (part time as needed)

Freight

Miscel.

'83 - FY anticipated
FRED operating
cost was
354,900⁰⁰

REPRESENTATIVE
ADELHEID HERRMANN

P.O. BOX 63
NAKNEK, ALASKA 99633
(907) 246-4495

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4942, 465-4943

Alaska State Legislature



House of Representatives

CHAIRMAN
SPECIAL COMMITTEE
ON FISHERIES

MEMBER
TRANSPORTATION
COMMITTEE

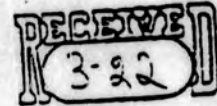
DISTRICT 26

ADAK
AKUTAN
ALEKNAGIK
ATKA
BELKOFSKI
CLARK'S POINT
COLD BAY
DILLINGHAM
DUTCH HARBOR
EGEGIK
EKUK
EKWOK
FALSE PASS
IGIUGIG
ILIAMNA
KING COVE
KING SALMON
KOKHANOK
KOLIGANEK
LEVELOCK
MANOKOTAK
NAKNEK
NELSON LAGOON
NEWHALEN
NEW STUYAHOK
NIKOLSKI
NONDALTON
PEDRO BAY
PILOT POINT
PORT ALSWORTH
PORT HEIDEN
PORT MOLLER
PORTAGE CREEK
SAND POINT
SOUTH NAKNEK
SQUAW HARBOR
ST. GEORGE
ST. PAUL
TOGIAK
TWIN HILLS
UGASHIK
UNALASKA

MEMORANDUM

DATE: March 20, 1983

TO: Rep. Bob Bettisworth
FROM: Rep. Adelheid Herrmann
SUBJECT: Snake Lake (East Creek) Hatchery



I have recently been informed that the F.R.E.D. Division of ADF&G is dismantling the Snake Lake Hatchery. Apparently, this includes everything except one small generator. They plan to have the building empty by April 12, 1983.

The regional aquaculture association, Imaprik, and the local school district have expressed interest in using the hatchery for education and research. If we allow F.R.E.D. to completely strip the facility, this will not be possible.

If we collectively apply our efforts perhaps we can be successful in maintaining an operational facility even if only at reduced levels. I would appreciate all the help you can give me with regard to keeping the facility open and operating even at reduced capacity.

Also, any information you can provide me regarding the bill you plan on introducing about hatcheries would be welcome.

cc: Rep. Jack McBride
Rep. Ben Grussendorf
Rep. Fred Zharoff
Sen. Bob Mulcahy

Alaska State Legislature

REPRESENTATIVE
JACK MCBRIDE

COMMITTEES
COMMUNITY & REGIONAL AFFAIRS
TRANSPORTATION
SPECIAL COMMITTEE ON FISHERIES



BOX 7562
KETCHIKAN, ALASKA 99901

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
©071465-4919

House of Representatives

MEMORANDUM

TO: Representative Bob Bettisworth

Date: March 31, 1983

FROM: Representative Jack McBride *JMcB*

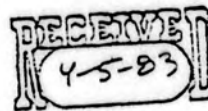
Re: Snake Creek Hatchery

I am writing in support of using the Snake Creek Hatchery in conjunction with the Imapik Regional Aquaculture Corporation as a facility for education and research.

I spent two years in Bristol Bay as the Manager of the Imapik Regional Aquaculture Corporation and can assure you of the need for this facility, if even at reduced levels. It would be a shame to dismantle a facility that is now worth close to \$10 million dollars and that may be utilized in a different manner.

If you would like to discuss this in any detail, please don't hesitate to call and I would appreciate any comments you may have.

JM/rb





REPRESENTATIVE

ROBERT H. "BOB" BETTISWORTH

POUCH V
JUNEAU, ALASKA 99811

P.O. BOX 80288
COLLEGE, ALASKA 99708

Mr. Freeman Roberts
Imarpik Regional Aquaculture Corporation
P.O. Box 189
Dillingham, AK 99576

March 28, 1983

Dear Mr. Roberts,

Thank you for your letter of intent to operate the East Creek hatchery facility in Dillingham.

I'm afraid, however, that we have a misunderstanding. I believe that legally, the state cannot "grant" a public facility to an individual, or company. My intent is that the state make the hatchery available to you in a lease agreement, at a nominal fee.

Your letter included a proposed budget for the hatchery. First off let me say, that it is a realistic operating budget. However, your letter seemed to imply that Imarpik was also seeking grant funding for operation of the hatchery. This too, is not my intent. If Imarpik needs operating funds, the Fisheries Enhancement Loan Fund is available for this purpose.

I realize your intent in operating the facility is in an educational and research capacity, and therefore your request for a grant, but I do not believe a grant is in the best interest of the state. In essence, we've been giving the F.R.E.D. Division grants for the last 10 years, with very little return on the state's investment. The main purpose of getting the hatcheries into private management is to finally see a return.

I do support the Imarpik Regional Aquaculture Corporation operating the Dillingham hatchery, but I do not support any hatchery transfer with a blanket check from the state. I stand ready and willing to assist you in this matter. Please contact me if I can be of further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Bob Bettisworth".

Rep. Bob Bettisworth
RHB/mjk

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

P.O. Box 6916

(907)225-9605

Ketchikan, Alaska 99901

April 3, 1982

Representative Bob Bettisworth
House Finance Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Bettisworth:

The concerns I expressed during our conversations earlier in the session have been discussed at length by the Board of Directors of Southern Southeast Regional Aquaculture. Within our region and statewide, SSRAA has generally been supportive of the productive programs of the Fisheries Rehabilitation Enhancement and Development Division and we have worked cooperatively to urge improvements in their program and assisted them in doing so. To date, the dual efforts of FRED and SSRAA have been directed toward achieving the objectives set out in the regional comprehensive plan that targets the very depressed species in southeast.

In the long run, the private non-profit corporations can provide significant relief in the operational costs of the FRED Division if selected facilities are transferred into the private sector. However, this must be done based upon a review of the operational, management, and economic characteristics of each individual facility on a case by case basis. Within the southern southeast region, there are four hatcheries operated by the FRED Division, and SSRAA is initiating just such a full review of each of these facilities. This will take a period of time to complete, however, these points can be made about each facility:

Deer Mountain Hatchery is located in Ketchikan. This is a small, essentially demonstration hatchery which is a significant tourist attraction in Ketchikan, but to date has not contributed much to the fishery. This facility does not have a guaranteed water supply due to priority allocation to the city's domestic water system and has a record of major mortalities due to water problems. The FRED Division operates this facility on contract with the City of Ketchikan which owns the facility. Any involvement by SSRAA would have to be negotiated with the City of Ketchikan should the FRED Division withdraw.

Crystal Lake Hatchery is located just outside Petersburg. This facility concentrates on chinook and coho salmon and is a well developed program supplying brood stock to other facilities as well as resupplying its own program. Although it has had operational and pathological problems in the past it has a documented record of contributions to the commercial and sport fisheries. Significant problems may exist in operating a terminal harvest under their existing operation plan but alternatives may be possible to conform with private non-profit operation of this hatchery. SSRAA would need to review this situation in the interim and would not be in a position to operate Crystal Lake in FY83.

PRIVATE NON PROFIT HATCHERIES

Klawock Hatchery is located in Klawock on Prince of Wales Island. This facility is designed as a large capacity chum and coho hatchery. Although operating for a few years, this hatchery has not had any significant production to date. It is our understanding that to operate at capacity, additional improvements would be needed, brood stock development has been very disappointing, adult mortalities on coho have been significant, water supply problems may exist, and terminal harvest problems may exist. [The hatchery has recently taken pink eggs against the recommendations of the Regional Planning Team and the Comprehensive Plan primarily for political reasons.] SSRAA would not be in a position to operate Klawock by FY83 and would need the interim to study the operations of Klawock to respond next session.

Beaver Falls Hatchery is located just south of Ketchikan near the SSRAA Whitman Lake Hatchery. It is an expanding chum program for which SSRAA has conducted wild eggtakes for two years to compliment the returns back to the facility. Additional improvements are essential to properly operate this facility by providing for short term rearing and release of fed fry similar to the SSRAA Whitman Lake chum program. Faced with closure of this production facility, SSRAA would be able and willing to operate this facility in FY83 should the facility be transferred with the operating funds provided by contract and with the transfer of already appropriated capital funds including \$400,000 approved in FY82. It would be our intent to make the necessary improvements, bring this facility up to full capacity, and be self supporting by FY85 with no further state funding after that.

As stated in our earlier conversations, many details will need to be worked out for the transfer of any FRED facility into the private sector. We recommend that the legislature identify a few facilities and target them for transfer in FY83 as "pilot projects". Further, we recommend that an appropriation of \$50,000 be made to ADF&G for the Regional Planning Team similar to the FY82 appropriation for that purpose but specifically intended for use to prepare recommendations on the applicability of FRED facilities being transferred into the private sector.

This does not detract from or replace SSRAA's stated intentions to develop an extremely valuable new project planned for co-development with the Tye Power Project near Wrangell. We strongly urge this session to provide the needed additional loan fund to develop this hatchery due to the benefits to be derived from it and the time schedule of construction in conjunction with the power project.

As you are aware, SSRAA has conducted a demonstration lake fertilization project jointly with the FRED Division for three years. This project is an extremely well supported program in and out of the legislature to develop natural enhancement techniques for our valuable sockeye stocks. The continuation of lake fertilization projects around the state depend on documenting the lake fertilization technique by completing this southeast project. I respectfully request that an appropriation at last years level of \$229,000 be appropriated for SSRAA's portion of this project with specifically stated intent that ADF&G contract with SSRAA to continue this project.

Representative Bob Bettisworth

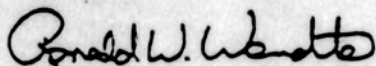
April 3, 1982

Page 3

S.S.R.A.A.

I am pleased to respond to your request for this information and state our willingness to provide any additional information or position that would be of assistance to you in your deliberations.

Sincerely,



Ronald W. Wendte
Executive Director

cc: Representative Ernie Haugen

02021 TDA CORDOVA ALASKA 681 04-05 1115A AST

PMS REP ROBERT BETTISWORTH (PHONE AND DELIVER)

JUNEAU AK

0525

DEAR REPRESENTATIVE BETTISWORTH

SATURDAY, APRIL 3RD, THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE PRINCE WILLIAM SOUND AQUACULTURE CORPORATION PASSED THE FOLLOWING MOTION. PWSAC BOARD IS WILLING TO TAKE OVER THE OPERATIONS AND MAINTENANCE OF CANNERY CREEK AND MAIN BAY HATCHERY FACILITIES PROVIDED THAT PWSAC HAS FULL AUTHORITY AND RESPONSIBILITY TO OPERATE AND MAINTAIN THEM AND THAT FUNDS BE PROVIDED IN THE ENHANCEMENT LOAN FUND FOR OPERATION AND MAINTENANCE FOR FY-83 AND FY-84 AT DLRS400,000 PER YEAR PER FACILITY AND THAT CAPITAL FUNDS FOR CONSTRUCTION COMPLETION OF BOTH FACILITIES OF A MINIMUM OF DLRS5 MILLION BE PROVIDED THROUGH THE ENHANCEMENT LOAN FUND. IN CONJUNCTION WITH THE ABOVE MOTION THE FOLLOWING WAS DISCUSSED.

A. OPERATION FUND. PWSAC WOULD STOCK BOTH HATCHERIES IN 1982 TO MAXIMUM POSSIBLE CAPACITY IN ANTICIPATION OF SUBSEQUENT HIGH ADULT RETURN TO ACHIEVE FINANCIAL SELF-SUFFICIENCY FOR BOTH FACILITIES AS SOON AS POSSIBLE WHICH WOULD BE IN FY-85 OR FALL OF 1984.

PRESENTLY A HIGH INSECURITY PREVAILS IN THE SALMON FISHERY AS TO LEVEL OF SALES AND PRICE FOR 1982 ADULT SALMON RETURN TO PRINCE WILLIAM SOUND CAUSED BY PROCESSOR AND MARKET INSTABILITY DUE TO CURRENT ADVERSE MARKET CONDITIONS AND FDA RECALL OF CANNED SALMON WHICH MAY REFLECT ON FY-83 INCOME TO PWSAC FROM SAN JUAN FISH SALES AND ASSESSMENTS. TO PROVIDE OPERATIONAL SECURITY PWSAC WOULD REQUIRE TO BORROW FUNDS FROM THE ENHANCEMENT LOAN FUND TO OPERATE MAIN BAY AND CANNERY CREEK FOR FY-83 AND FY-84 IN THE AMOUNT OF UP TO DLRS400,000 FOR EACH FACILITY.

B. CAPITAL FUNDS. CANNERY CREEK. THIS FACILITY ALTHOUGH BASICALLY COMPLETE LACKS COMPONENT VITAL TO ADDITION AND FULL CAPACITY OPERATION. FOR EXAMPLE: ADULT MATURING, EGG TAKE, FRY-OUT MIGRATION AND SALT WATER REARING FACILITIES. AN ESTIMATED TOTAL OF DLRS2 MILLION IN CAPITAL INVESTMENT WOULD BE NEEDED. PWSAC WOULD BORROW THESE FUNDS FROM THE ENHANCEMENT LOAN FUND.

MAIN BAY. THIS FACILITY IS CURRENTLY UNDER CONSTRUCTION AND SCHEDULED TO BE TURNED OVER TO THE STATE BY THE CONTRACTOR IN MAY 1982. ADF AND G ENGINEERS ESTIMATE THAT ABOUT DLRS3 MILLION ARE NEEDED IN CAPITAL CONSTRUCTION TO COMPLETE THIS SITE TO DESIGN SPECIFICATIONS. THIS AMOUNT WOULD BE BORROWED BY PWSAC FROM THE ENHANCEMENT LOAN FUND.

C. A CONTRACTUAL AGREEMENT BETWEEN THE STATE AND PWSAC WHICH WOULD TRANSFER AUTHORITY AND RESPONSIBILITY FOR OPERATIONS AND MAINTENANCE FOR BOTH STATE-OWNED FACILITIES TO PWSAC AT A NOMINAL LEASE FEE WOULD BE ACCEPTABLE. POSSIBLE FUTURE TRANSFER OF TITLE TO PWSAC IS DESIREABLE PENDING ON FUTURE DETERMINATION OF LEGALITIES AND RESOLUTIONS OF THESE FINANCIAL OBLIGATIONS OF THE STATE TO PAY BACK G.O. BONDS.

IN GENERAL PWSAC(S) INTENT AND GOAL IS TO PURSUE ALL AVENUES ACCEPTABLE TO MEMBERS OF THE FISHING INDUSTRY AND THE GENERAL PUBLIC OF THE STATE WHICH WILL LEAD TO CONSISTENT AND HIGH PRODUCTION OF SALMON IN OUR REGION FOR THE BENEFIT OF ALL USER GROUPS, MAINTAINING A HIGH LEVEL OF COOPERATION BETWEEN THE SALMON INDUSTRY, FISHERMEN, ADF AND G AND OTHER STATE AGENCIES.

TAKING CARE OF OPERATIONAL AND MAINTENANCE COSTS FOR HATCHERIES THAT CAN BE OPERATED BY THE PRIVATE SECTOR ON A COST-RECOVERY SYSTEM BASED ON FISH SALES AND FUTURE CAPITAL COSTS VIA THE LOAN FUND MAY HELP TO INCREASE THE FRED DIVISION ACTIVITY IN

ENHANCEMENT PROJECTS WHICH DO NOT LEND THEMSELVES FOR COST RECOVERY VIA FISH SALES. FOR EXAMPLE, INLAND AND SPORT FISH HATCHERIES, LAKE AND STREAM STOCKING, ETC.

PWSAC(S) OFFER TO OPERATE THESE BASE FACILITIES IS BASED ON RECOGNITION OF FUNDING LIMITATIONS OF THE STATE, A DESIRE TO PURSUE EXPANSION OF THE PRINCE WILLIAM SOUND ENHANCEMENT SYSTEM AND THE COMMITMENT OF THE FISHING INDUSTRY TO CARRY ITS SHARE IN ACHIEVEING CONSISTENT HIGH LEVEL OF SALMON RUNS TO PROVIDE ECONOMIC STABILITY TO OUR REGION IN HIGH COMPETITIVE FUTURE MARKET AND FOR A GROWING DEMAND AND THE BENEFIT OF PERSONAL-USE FISHERMEN.

THE DIRECTORS OF THE PRINCE WILLIAM SOUND AQUACULTURE CORPORATION BOARD EXPRESS THEIR APPRECIATION FOR THE CONSIDERATION AND RECOGNITION BY THE-ALASKAN STATE LEGISLATURE OF OUR EFFORTS AND NEEDS, AND THANK YOU FOR THE OPPORTUNITY TO PROVIDE THIS INPUT TO YOU. SINCERELY,

ARMIN F KOERNIG, PRESIDENT

PRINCE WILLIAM SOUND AQUACULTURE CORPORATION

NANA REGIONAL CORPORATION, INC.

POST OFFICE BOX 49 / KOTZEBUE, ALASKA 99752 / TELEPHONE (907) 442-3301



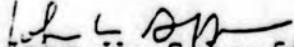
March 30, 1982

Representative Bob Bettisworth
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Bob:

We are interested in acquiring the Sikusuilaq Hatchery. I hope that we can prepare a proposal in the short time that you have requested. Your assessment of the State hatchery program corresponds with our own exactly and we will do our best to assist in the proper development of this hatchery because of its importance to the people of our region.

Sincerely Yours,


John W. Schaeffer
President

pa

cc: John Shively, V.P. Operations, Anchorage
Herman Reich, General Manager, Kotzebue
Calvin Moto, Manager, NANA Seafoods
NANA Board

Encl. Bob Bettisworth Letter



HOUSE SPECIAL COMMITTEE
ON FISHERIES
May 10, 1983
4:04 p.m.

Members Present: Rep. Herrmann, Chairman
Rep. Fuller, Vice-Chair
Rep. Grussendorf
Rep. Goll

Members Absent: Rep. Bussell
Rep. McBride
Rep. Zharoff

COMMITTEE CALENDAR

HB 376: "An Act amending the Limited Entry Act; and
providing for an effective date."

HB 393: "An Act relating to the operation of state-
owned salmon hatcheries."

WITNESS REGISTER

Thomas E. Mears
Executive Director
Cook Inlet Aquaculture Association
Box 3819
Soldotna, Alaska 99669
262-9419

Curt Kerns
Aquaculture Specialist
University of Alaska
11120 Glacier Hwy.
Juneau, Alaska 99801
789-4409

Stan Moberly
Director
Division of Fisheries Rehabilitation Enhancement
and Development (FRED)
Department of Fish & Game
P.O. Box 3-2000
Juneau, Alaska 99802
465-4163

Rep. Wendte
State Capitol Building
Pouch V
Juneau, Alaska 99811
465-4944

Dennis Kelso
Department of Fish & Game
Box 3-2000
Juneau, Alaska 99802
465-4100

PREVIOUS ACTION

HB 376: 4/21/83 - First Reading.
Committee Referrals - Fisheries and Resources.
Governor's Transmittal Letter appears on Page 973 of the House Journal.
Fiscal Note with Analysis appears in House Journal Supplement No. 44.
See Fisheries minutes of May 3 and 5, 1983.

HB 393: 5/2/83 - First Reading.
Committee Referrals - Fisheries, Resources, Finance and Rules Committees.
No previous action in Fisheries.

ACTION NARRATIVE

TAPE#39
Recording
Number 0001

Chairman Herrmann called the meeting to order at 4:04 p.m., and announced the first order of business; HB 393. She announced Thomas Mears to testify on the bill.

Number 0015

Thomas Mears, Executive Director of the Cook Inlet Aquaculture Association, stated that HB 393 directs the Commissioner of Fish & Game to lease state hatcheries but the bill does not specify whether it means specific hatcheries, any hatcheries, or all hatcheries. The bill directs transfer of state hatcheries if an application by a non-profit organization is submitted and if such hatcheries can be accomplished by the Department of Fish & Game. This bill as written is not comprehensive enough to accomplish the task of transferring any of the hatcheries in the state.

Mr. Mears explained the problems that happened last year with the appropriation bill which addressed the transferring of hatcheries by the Commissioner of the Department of Fish & Game.

In order for hatchery transfers to be accomplished, there needs to be a task force or working committee established to include the legislators, the Governor's Office, and the various commissioners and division directors. First of all, establish what the roles are going to be in the state's salmon enhancement program; for the FRED division of the Department of Fish & Game. The regional aquaculture associations, and the individual private non-profit operators. Once that broad framework is established, the committee should further research and search out a mechanism whereby a transfer of facilities can be accomplished.

Number 0137

Rep. Fuller asked if leasing was the answer or if surplusing the property would be a better idea.

Number 0148

Thomas Mears agreed that handing over total control would be a better idea. The leasing arrangements have grave difficulties associated with them. There are a number of drawbacks such as; most facilities are unfinished, or require substantial upgrading or additions. Who is going to be responsible for the improvements? Under current regulations, a private non-profit operator cannot get a loan to prove a hatchery that he doesn't own.

Number 0184

Rep. Fuller asked Mr. Mears if some of the hatcheries were marginal or in question as to whether they were in a good position.

Number 0186

Mr. Mears said that of the hatcheries that the state has built, there are a limited number of them that fall within the guidelines as established for private non-profit hatcheries. Most important of the guidelines is, the hatchery has to be located in an area where a terminal harvest of those fish can be conducted just upon hatchery fish and not upon any wild fish in the area.

Number 0210

Rep. Fuller asked about the Cook Inlet

Aquaculture Association and the feeling of other associations regarding the concept of HB 393. Mr. Mears stated that they seemed to be agreeable with it.

Number 0240

Chairman Herrmann introduced Curt Kerns to testify.

Number 0241

Curt Kerns introduced himself as the Aquaculture Specialist for the University of Alaska. He began his testimony by explaining a recent project; a computer modeling of the Pacific Ocean. Indications are that the carrying capacity of the Pacific is only 10 fold greater than the current salmon output. The longterm average is about 300 million salmon a year, with Alaska having 100 million.

He explained what happened with the departments that eventually resulted in HB 393. Selectively transferring was the solution to the funding problems. The Regional Associations felt last year that only if there was a threat that the facilities would be closed, would they be willing to consider the transfer.

Number 0296

Chairman Herrmann asked Mr. Kerns if he was familiar with the state loan programs for hatcheries and asked if HB 393 would provide any money under the current loan programs for people who wanted to take over these hatcheries, or should it be specified in the bill.

Number 0301

Mr. Kerns said that he was familiar with the loan program for hatcheries. It specifies that as long as the interested party is a private non-profit corporation under the laws of the state, and has a permit to operate that facility, and establish financial feasibility, then it would be allowable to borrow the money.

Number 0320

Chairman Herrmann thanked Mr. Kerns and introduced Rep. Wendte as the next witness.

Number 0324

Rep. Wendte said he had read over HB 393 by request of the sponsor and would like to recommend two amendments. He recommended that Section 1. FINDINGS., read as follows:

The legislature finds that declining state

revenues and the newly imposed constitutional spending limit require a reduction in expenditures. (for state-operated salmon hatcheries). This reduction may (is likely to) result in the closure of (many, if not all,) state hatcheries. State hatcheries play...

Number C363

Rep. Goll inquired whether the word "may" should be used in place of "shall" on Page 1, Line 20, to empower the Commissioner to transfer a hatchery and also allow for some discretion.

Number 0370

Rep. Wendte stated that there was also a bill relating to HB 393 which has been introduced in the Senate which does what Rep. Goll had suggested.

Number 0377

Dennis Kelso, Acting Deputy Commissioner of the Department of Fish & Game stated that the administration has not yet formulated a position on the role of hatcheries in the overall management of state fisheries resources. The Administration is not necessarily opposed to a private sector role through transfer or through other arrangement, but the policy questions involved in this are complex enough that we'd like to remain with no position until a broader look can be taken at the implications for managements as well as some of the use competition questions involved.

Mr. Kelso commented on Section 1 of HB 393 which is the FINDINGS section. He stated that the Governor has made it clear that fisheries are a high priority and the hatcheries program has done very well in the budget process in the Governor's Office. He stated that he didn't feel there would be difficulty in funding state hatcheries according to the Governor's statements and past funding in the budget cycle.

Other specific things that need to be addressed are:

1. hatcheries are not a single isolated tool in themselves, they're part of an overall management approach.
2. the current mix of production targets reflect the interests of several different

user groups; commercial, recreational, and etc...

3. different groups within the fishing communities have different views on the proper role of state hatcheries and the proper role of the private sector.

Mr. Kelso stated that the department suggests a forum be formed to address the full range of the complex issues.

He stated that with the present wording of Section 2, the Commissioner is compelled to make the transfer to any applicant who meets the standards identified in the bill. It does not provide for evaluation of capability for handling the hatchery facility at the level of current operation or with the particular species mix which may be deemed most appropriate. Other factors that are not addressed are; financial stability or long-term upkeep of the facility.

Mr. Kelso also stated that the department suggests that the committee consider the possibility of building a legislative role whenever there is a contemplated transfer.

Number 0505

Rep. Grussendorf was concerned about some of Mr. Kelso's statements. He said that there were contemplated changes to the FINDINGS section to say "therefore, it is in the public interest that those hatcheries identified by the legislature as not being cost efficient may be leased to non-profit aquaculture associations". There is also a letter of intent that was placed in the operational budget. This letter of intent would give the Department of Fish & Game a little more flexibility, that it was funded up to 50% until the end of this year for these transfers to take place. Allowing the department to come back to the legislature for a supplemental appropriation if a transferee is not found.

Number 0545

Mr. Kelso said that it would be a good idea for the legislature to take a look on a case by case basis at facilities that might be transferred and would be an ideal opportunity to get public input to give an idea of what kind of balance to strike

regarding species mix.

Number 0561

Rep. Grussendorf stated that as the bill is written it appears that all the hatcheries are up for grab. That certainly is not the intent of the legislature. He explained the situation with the hatcheries.

Number 0576

Rep. Goll asked what the reason was for including the Klawock hatchery in HB 393.

Number 0579

Rep. Grussendorf stated that there was some discussion on faulty construction design and also the the level of productivity. If there is no interest for take over by an aquaculture association, there will be a supplemental appropriation made in January 1984. The hatchery is doing quite well with coho salmon at the present time.

Number 0588

Rep. Goll agreed that the hatchery was doing well with coho salmon and questioned whether Klawock hatchery would be appropriate for inclusion in the bill.

Number 0592

Rep. Grussendorf stated that the reason for inclusion of this hatchery was the low level of productivity as well as the ultimate cost that it would take to finish the facility.

Number 0597

Mr. Kelso explained that when the Department makes a decision about how to fund a particular hatchery, we look at a number of factors related to productivity of that hatchery. We look at what the design capacity is; what some of the operating experiences have been; and what kind of investment in operating dollars and potential CIP money that would be required to make that hatchery operate at it's most cost effective level. Although Klawock hatchery has had some difficulties in terms of moving to its design capacity, it nevertheless has been productive with a mixture of species that have been in high demand.

Number 0607

Rep. Goll asked if the capital construction issue applies to the Klawock hatchery.

Number 0610

Stan Moberly said that all of the facilities that have been built have been built in a phase construction stage. The idea was that the broad stock development schedule was

going to take a period of time before reaching full production. It was not in the state's best interest to build complete adult capture facilities initially that wouldn't be used for 6-8 years down the line. Klawock hatchery falls into that categorie. It's actually a very good hatchery and has great potential as do the other three listed in HB 393. They are new hatcheries that will be the most cost effective when they are through their start up stages. He explained the past history of Klawock hatchery and what the present situation is there.

Tape #40
Recording
Number 0001

Rep. Goll asked how long it would take before Klawock hatchery would be self-sustaining in terms of its eggs.

Number 0003

Mr. Moberly explained that the smaller egg takes that preceded this last fall coupled with the natural escapement in the river we hole will suffice that facility for the next three years to give it 15 million eggs. The return from these eggs in three year will given the facility 60-70 million eggs. Therefore, reaching the design capacity, the long-term best interest for this hatchery is to persist with the use of the Klawock River chum salmon.

Number 0024

Rep. Goll said that he was told there was an issue with the Klawock hatchery involving the ownership of the land on which the facility sits. There may then be a problem with leasing. The owner would also have to agree in the lease. Is that correct?

Number 0030

Mr. Moberly said yes, the owner of the land would have to agree and further stated that this is true with several of the facilities. Either with a federal landlord or a Native Corporation landlord, and in one instance, a private landlord. He explained the lease situation with the Klawock hatchery.

Number 0050

Rep. Goll asked if that requires any modification on how its being addressed so far.

Number 0053

Mr. Moberly said, probably not, and went on to explain that the third party should be

addressed in the negotiations.

Number 0056

Rep. Grussendorf explained that the reason why Klawock hatchery was targeted was that during the budget negotiations, the Department of Fish & Game and the FRED Division were prepared to moth ball that operation because there were no funds for the operation except funding for maintenance.

Number 0075

Mr. Moberly explained what had brought about the offering up of Russell Creek and Klawock hatcheries.

Number 0103

Chairman Herrmann thanked Stan Moberly for his testimony and stated that the committee would be looking into the possibility of holding a teleconference on this topic. There was discussion on the teleconference.

Number 0123

Chairman Herrmann stated that it was the Chair's intent to pass HB 376 out of committee, which is next on the agenda.

Number 0127

Rep. Goll moved and asked unanimous consent to pass HB 376 out of committee with individual recommendations. No objection, so ordered.

Number 0133

No further business to come before the committee, Chairman Herrmann adjourned the meeting at 4:56 p.m.

HOUSE SPECIAL COMMITTEE
ON FISHERIES
May 13, 1983
4:04 p.m.

Members Present: Rep. Herrmann, Chairman
Rep. Grussendorf
Rep. McBride
Rep. Bussell
Rep. Goll

Members Absent: Rep. Fuller, Vice-Chair
Rep. Zharoff

COMMITTEE CALENDAR

HB 393: "An Act relating to the operation of state-owned salmon hatcheries."

WITNESS REGISTER

Rep. Bettisworth
State Capitol Building
Pouch V
Juneau, Alaska 99811
465-4967
Position Statement: Sponsor of HB 393.

Armin Koernig
Prince William Sound
Aquaculture Corporation
P.O. Box 1110
Cordova, Alaska 99574
424-7511

Rep. Goll
State Capitol Building
Pouch V
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465-4925

Geron Bruce
United Southeast Alaska
Gillnetters Association
Box 1186
Juneau, Alaska 99802
789-5280

Mel Monsen
Professional Assistant
Special Committee on Fisheries
Pouch V

Juneau, Alaska 99811
465-4924

PREVIOUS ACTION

HB 393: 5/2/83 - First Reading.
Committee Referrals - Fisheries, Resources,
Finance and Rules Committees.
Discussion at 5/10/83 Fisheries meeting.
No previous action in Fisheries Committee.

ACTION NARRATIVE

TAPE#41
Recording
Number 0001

Chairman Herrmann called the meeting to order at 4:04 p.m., and announced the first order of business; HB 393. She explained the concept of the bill and stated that it's a means of transferring hatcheries that the state is abandoning to private non-profit aquaculture associations.

Number 0026

Rep. Grussendorf stated that on Page 2; Line 10 of HB 393 he would like to move that a fifth hatchery, "(5) East Creek hatchery" be added to the list. There being no objection, so ordered.

Number 0045

Rep. Grussendorf then asked for the permission of the committee to remove his previous motion and made a second motion to adopt CSHB 393 (Fisheries) and asked for unanimous consent. There being no objection, it was so ordered. Rep. Grussendorf made a motion for an amendment to CSHB 393; Page 2, Line 10; an addition of a fish hatchery, "(5) East Creek hatchery". Hearing no objections, the motion carried.

Number 0068

Chairman Herrmann announced Rep. Bettisworth, the sponsor of HB 393 to testify.

Number 0074

Rep. Bettisworth began his testimony by asking consideration of his proposed amendments to CSHB 393:

Sec. 2. AS 16.10 is amended by adding new sections to read:

Sec. 16.10.435. OPERATION OF STATE HATCHERIES. (a) The commissioner shall by lease transfer the operation of state-owned salmon hatcheries to non-profit corporations that have received a permit under AS 16.10.400-470, and have applied for a transfer under (c) of this section.

Delete Lines 3 through 9 on Page 2.

In its place insert the following letter of intent:

"It is the Legislature's intent that the Department of Fish & Game, and the Fisheries Rehabilitation, Enhancement and Development Division concentrate their efforts on transfer of state hatchery operations to the private sector. The Department should emphasize particular efforts to transfer the Beaver Falls hatchery, the Main Bay hatchery, the Cannery Creek hatchery, the Klawock hatchery and the East Creek hatchery by the year ending December 31, 1983.

In addition, the department is charged with providing supportive information to the legislature on all permit requests denied under AS. 16.10.400-470. This information will be presented to the Legislature in layman's terms, no later than the fifteenth day of each session."

Number 0097

Rep. Grussendorf questioned the Section 2 amendment which says that the transfer shall be made to "non-profit corporations". He asked Rep. Bettisworth if he objected to the CS for HF 393 reading that the transfer be made to "aquaculture associations".

Number 0105

Rep. Bettisworth said that he didn't object to having it read "aquaculture associations", but recommended that the term "non-profit" also be in the wording.

Number 0115

Rep. Grussendorf further explained the reason for using the terms "aquaculture associations". There was discussion with Rep. Bettisworth.

Number 0162

Chairman Herrmann asked Rep. Bettisworth if what he wanted for Lines 3-9 on Page 2 was a letter of intent instead of what's presently there. He said yes; along with his proposed amendments.

Number 0166

Rep. McBride asked what Rep. Bettisworth's intent was for Section 2. He replied that he would like it to read "aquaculture associations and/or non-profits".

Number 0172

Rep. Goll asked, along what criteria did the hatcheries in HB 393 get selected?

Number 0184

Rep. Bettisworth stated that Stan Moberly of the FRED Division could probably answer the question better than he could, and continued to explain the selections the best he could.

The Beaver Falls Hatchery is in a close proximity to a hatchery already operated by the Southern Southeast Regional Aquaculture Association and could easily be taken over by them. The SSRAA has indicated a desire to take over that hatchery.

Cannery Creek and Main Bay atcheries which are both in Price William Sound are fairly new hatcheries. It's been indicated by the Price William Sound Aquaculture Corporation that they'd be willing to take over these two hatcheries. The brood stock or egg take was from this aquaculture corporation in Price William Sound, so they have been working closely from the start.

The Klawock hatchery had been selected by the FRED Division as one of the hatcheries to be closed down due to the funding shortfall.

Number 0220

Rep. Goll asked if he had a working relationship with the FRED Division that would allow for the redefining of the particular hatcheries if they felt it was not in the State's best interest to do this.

Number 0226

Rep. Bettisworth stated that even though these hatcheries are spelled out, as far as he was concerned, the FRED Division would have that option anyway.

Number 0229

Rep. Goll asked how he would feel about the

concept of utilizing most of this legislation to empower the State under particular criteria to turn over hatcheries to the private non-profits and then expose that to public scrutiny and make sure that the particular hatchery will in fact be the appropriate hatchery for transfer. This way, the users, the fishermen, people in the communities, State, Legislature and so forth could explore the justifications for giving transfer.

Number 0239

Rep. Bettisworth stated that as far as he was concerned, the question of the possibility of turning over some of the state hatcheries to the aquaculture association has been before the public for about two years, in fishery publications, magazines, periodicals, papers and things put out by the aquaculture associations themselves. All the interested parties are familiar with the situation.

Number 0250

Rep. Goll stated that he wasn't concerned about the concept of turning over the hatcheries, he was concerned with what he thought was an arbitrary selection of the hatcheries to be turned over. He further stated that he wanted to see this concern of his receive a little more public hearing.

Number 0256

Rep. Bettisworth stated that all of the hatcheries listed in HB 393 are the only ones that have had interest in from outside of the FRED Division.

Number 0263

Rep. Goll asked who was interested in the Klawock hatchery?

Number 0264

Rep. Bettisworth stated that at one time the Southern Southeast Aquaculture Association was, but aren't anymore. Also, there was interest from the Klawock Village Corporation a year ago, but he didn't know what their present feelings were.

Number 0276

Rep. Goll inquired about the East Creek hatchery.

Number 0277

Rep. Bettisworth stated that East Creek had already been closed and is in the process of being stripped of it's equipment. He felt that the losing of this hatchery should be stopped and that the Russell Creek hatchery

in Cold Bay should be added to the list of possible transfers.

Number 0293

Rep. Goll asked how he would feel about adding a phrase saying that "the lessee shall be solely responsible for the operation of the hatchery in compliance with the statutes and also the maintenance and upkeep of the hatchery". This way the state property would be protected.

Number 0306

Rep. Bettisworth agreed with Rep. Goll and said that it would be quite appropriate.

Number 0307

Chairman Herrmann thanked Rep. Bettisworth for his testimony and called forward the next witness, Armin Koernig.

Number 0310

Armin Koernig who works for the Prince William Sound Aquaculture Corporation, stated that they would be willing and are capable of taking over the Cannery Creek and Main Bay hatcheries, provided that the state is not willing or able to pay for the operational costs of these facilities through the FRED Division.

Mr. Koernig stated that the PWSAC does not support the Department of Fish & Game budget cuts. In the contrary, our fishermen's organizations are actively lobbying for increased appropriations to Fish & Game budgets, operational and capital, because there are a number of identified needs for improved fisheries management. Contrary to what other people in other areas feel, the Prince William Sound Fisheries needs further development. Another important reason for a well functioning enhancement system in the Prince William Sound (PWS) area is that large fluctuations of wild runs that naturally occur are caused by uncontrollable environmental influences on the salmon producing systems that are made up of many short and small streams that are highly susceptible to floods, freeze-outs and etc.

Prince William Sound Aquaculture Corporation has in the past helped in brood development of both the Cannery Creek and Main Bay hatcheries; trying to bring the facilities up to full production as soon as possible, and will continue in this cooperative work as long as the State, Fish & Game and the

FRED Division permits them.

Should the FRED Division, by either funding shortage or other reasons, be unable or unwilling to want their facilities at optimum output, then the Prince William Sound Aquaculture Corporation would suggest operating these facilities to achieve and maintain maximum production. Another way that Prince William Sound Aquaculture Corporation would be willing to take the Main Bay and Cannery Creek hatcheries over would be; they would take over the hatchery operations and the money that is saved by the FRED Division would be put back into the Prince William Sound area for other FRED work that is needed.

Mr. Koernig stated that there are questions about the problems of transferring hatcheries that need to be answered. If these issues are not planned out and agreed to by the Administration and Legislature, orderly transfer cannot be achieved.

If the hatchery is transferred to a regional association, these associations have a board of directors which is comprised of commercial fishermen. They will then operate it to the public's benefit. Mainly to the common public fisheries. In the case of turning over a hatchery to a private non-profit corporations, that are not including fishermen, then fishermen to be somewhat leary of this. The philosophy, intent, and goal of the future hatchery operators should be looked at and has to be spelled out that the hatchery is going to be operated to benefit the public fisheries, whether it be commercial, sport, or subsistence. He then explained what is needed to run a hatchery.

Mr. Koernig explained some of the changes and construction completion on the Main Bay and Cannery Creek hatcheries that would have to take place if PWSAC were to take over the operations. He further explained the amount of money and specific things that needed to be done. If the state were to lease the hatchery, they would be required to maintain it as is. This would be a disadvantage to them and would not agree with the state regarding this requirement.

Another problem arises if the operator taking over the facility needs capital investments. Who is going to provide this? Is the state going to make these appropriations to finish the facility to meet certain standards? Can they use the loan fund? If this private operator takes it on himself to complete the facility a situation will develop where the state owns part and the private operator owns the other part of the facility.

There are a lot of problems that need to be addressed. Maybe a task force or committee where legislators are involved, should follow up and lay out actual transfer procedures.

Number 0513

Chairman Herrmann stated that she had the same question that he had regarding the operation of state hatcheries. She pointed out in HB 393 where it states that "a lease to operate a state-owned salmon hatchery shall provide that the lessee shall be solely responsible for the operation and maintenance of the hatchery and shall indemnify the state against liability for harm or loss arising from the operation of the hatchery during the period of the lease". Chairman Herrmann said she had asked Curt Kerns if the loan fund was available to these lessees for maintenance and Mr. Kerns had said it was. She asked Mr. Koernig who is a member of the Governor's Fisheries Policy Task Force, if they had addressed hatcheries.

Number 0521

Mr. Koernig stated that they will at the next meeting. The Task Force is generally for fisheries development and definitely feel positive toward whatever we can do in the Administration and Legislature within the constraints that there are; to develop a fisheries to the utmost extent that is possible. The specific recommendations will be made to the Governor, but at this time he could not say what those recommendations would be. He said that one thing that will be asked is that the overall appropriation levels to the fisheries should be increased.

Number 0540

Rep. Grussendorf explained that HB 393 is basically enabling legislation for any aquaculture association that feels they

could be more productive at that particular hatchery site, than the FRED Division is at this time, some may be budgetary restraints as well, to have the opportunity to take over the facility. We are in no way forcing these hatcheries upon aquaculture associations. The intent is that if there are no takers by December 1983, the FRED Division can come back for a supplemental appropriation.

Number 0559

Rep. Goll stated that he was impressed with Mr. Koernig's testimony and asked him if given the best possible circumstances for his private non-profit association, would he feel that the transfer of these particular sites should be deferred until the investment by the state is complete and then some kind of operational procedure developed, or would he concur with the idea that HB 393 should enable the state to enter into the lease, but the selection of the facilities should be exposed to more public, corporate and state scrutiny.

Number 0580

Mr. Koernig stated that he didn't have much trust in the time frame of waiting for the state to make the facilities complete or make improvements. He further said if they were going to be responsible for operating the facility, they would want to give input into how it was going to look in the end.

Number 0609

Rep. Grussendorf stated that it's going to take a tremendous amount of capital investment to bring the hatcheries up to the level that we want, but there are revenue constraints. There is no commitment from the state that we can go in and finish the facilities, what we are looking for is help from people who can make it pay.

Number 0619

Rep. McBride asked Mr. Koernig if Russell Creek hatchery should be added to the list of hatcheries in the bill.

Number 0620

Mr. Koernig said he didn't feel it should. It all depends on who is there in the area to take it over; who is capable and willing. The people in Sand Point are very concerned that Russell Creek hatchery shall not be closed.

Tape 42

Recording
Number 0001

Rep. McBride asked what Mr. Koernig meant when he spoke of public interest and the fish being common property, and asked if he saw any conflicts in the private operations of the facilities.

Number 0016

Mr. Koernig stated that he didn't see any conflict, provided that the facility would be used to put out the fish that it was designed to produce. It wouldn't reduce the output by just transferring from state to private.

Number 0050

Rep. Grussendorf stated that he was concerned about the state leaving it too wide open for transfers to anyone who was interested, and felt that it should be limited to private non-profit aquaculture associations.

Number 0063

Mr. Koernig stated that there are still some items that need to be further addressed, legislative or regulatory, and that is a public control of the new mechanism of fish sales by private hatchery operators.

Number 0078

There was discussion on the type of operators allowed.

Number 0139

Rep. McBride stated that areas where they have private non-profit aquaculture associations, are different from areas like the Russell Creek and East Creek hatcheries. If it is left to just private non-profit aquaculture associations, what kind of restrictions would there be? He also asked about the Deer Mountain hatchery in Ketchikan.

Number 0160

Mr. Koernig stated that if they couldn't sell some of the fish to pay for operational costs, he couldn't see where they would get funds to operate the facility.

Number 0177

Stan Moberly from the audience explained that the Deer Mountain facility is for king salmon and steelhead. It is coupled in where it's highly visible to the tourists, with about 70-80 thousand tourists through the facility. It is also very cheap to run; \$200,000 a year.

Number 0193

Rep. McBride stated that the State is not

trying to salvage anything out of the East Creek hatchery which was closed last month; leaves a building which will probably be torn up and thrown away. He further stated that something should be done to keep facilities operating as hatcheries.

Number 0218

Mr. Koernig stated to his opinion that if the state leases the hatchery out to another private hatchery operator, he will be subject to all rules and regulations. He explained that the East Creek hatchery was a research facility for learning about producing red salmon, which is something the state needs.

Number 0239

Rep. Grussendorf stated that the Finance Subcommittee had put extra money in Russell Creek, more than what the FRED Division had asked for, because they were concerned about it.

Number 0243

Mr. Koernig stated that the constituency in that area of the state are very concerned and need those fish. They are much in support of continuation of the operations of that hatchery.

Number 0247

Chairman Herrmann thanked Mr. Koernig for his testimony and called the next witness, Geron Bruce.

Number 0250

Geron Bruce, representing the United Southeast Alaska Gillnetters Association, (USAGA) stated that the members of the USAGA contribute to and are very supportive of the Southern and Northern Southeast Regional Aquaculture Associations. While the idea of providing a mechanism to transfer certain state-owned hatcheries to the private sector may be a good idea at some later point, the USAGA doesn't think it is a good idea presently. The recognition of the spending limits that are developing should not be directed at the state hatcheries program, which when developed a few year's ago, was intended to be a longterm commitment. The USAGA would like to see the FRED Division hold on to what they have here for at least a few more years to see which facilities might be better suited in private hands and which ones should remain in the public sector.

In addressing the state's budgetary problems, Mr. Bruce stated that instead of cutting back funding for the FRED Division, take what money there is now and invest it in the renewable resource which will benefit the state when there is a real revenue crunch. He also suggested the reinstatement of the State's personal income tax.

It is possible that in ten years, the state may regret transferring their hatchery facilities. This matter should be studied further before action is taken.

Number 0348

Chairman Herrmann thanked Geron Bruce for his testimony and announced Rep. Goll as the next witness.

Number 0351

Rep. Goll said he supports the concept of HB 393 and explained some of the changes that should be made.

1. Page 1, Line 20:

"shall by lease" to "may lease"

2. "Specifying the names of the hatcheries in the bill for arbitrary transfer should not be done without every careful analysis of that hatchery".

Number 0371

Chairman Herrmann stated that if the committee adopted Rep. Bettisworth's letter of intent, the hatcheries would not be listed directly in the bill.

Number 0374

Rep. Goll said there were so many amendments that he hadn't had time to look over carefully and another problem being the share ownership of the facility when the lessee builds on or improves. He further stated that there was not enough participation in this matter by the groups involved. Most of his other amendments are housekeeping amendments.

The underlying assumption is that the state does not have enough money to fund the hatcheries. In his opinion, the fishery program, the hatchery program, and the FRED Division are very high priorities and should be fully funded. The fisheries program is not a public service program, it produces goods, assets to the state, and potential

revenue for the state if the personal income tax is reinstated.

The \$1.5 million cut from the FRED Division's budget is equivalent to the annual funding of the four hatcheries proposed for transfer in HB 393. Each of these hatcheries produce fish that are caught by fishermen from his district and three of these hatcheries are located in his district. All of these facilities are fairly new.

Assuming that the FRED Division must reduce its budget by \$1.5 million, one might propose that the Russell Creek hatchery in Cold Bay be closed.

This hatchery has been faced with design flaws and is going to be extremely expensive to reconstruct, and is now producing at a very low level. Next it could be recommended that the Trail Lakes hatchery, south of Anchorage which serves Cook Inlet, Price William Sound, and Seward. It is very new with the fishermen not depending too heavily on it. The third that could be recommended for closure is the Clear Air Force Base hatchery near Fairbanks; it's a small experimental facility. Also another is the Sikusuilag Springs hatchery near Kotzebue which is also an experimental facility. The cost to operate the four hatcheries just named is the same as the four hatcheries listed in HB 393, but the annual production is considerably less.

Specific criteria should be developed to evaluate hatcheries in order to weigh their relative value in order to mandate the FRED Division as to which hatcheries should be transferred.

Number 0506

Chairman Herrmann explained that a letter of intent doesn't bind anyone to do anything. She read the letter of intent; it doesn't state in the law that these hatcheries shall be transferred.

Number 0517

Rep. Goll stated that we are making a law with the letter of intent. What this law should do is provide for the future. Set up criteria whereby such transfers would take place. Logically those units would be

judged to make sure these problem which have been discussed are met.

Number 0525

Chairman Herrmann stated that it is already defined in the bill who would qualify to receive a transfer.

Number 0529

Rep. Goll stated that he had a few proposed amendments that he would like to discuss with the sponsor, the FRED Division and a few of the aquaculture association, before proposing them to the committee for consideration.

Number 0534

Chairman Herrmann stated that she would like to move HB 393 out of committee and onto the legislative process. She said both Representatives Goll and Bussell were on the Resources Committee, which is the next referral and any changes that Rep. Goll would like to make, could be proposed then.

Number 0538

Rep. Goll stated that he would prefer proposing the amendments in the Fisheries Committee but if forced to he would offer them in the Resources Committee.

Rep. Goll said that the regional associations were happy with the state running the hatcheries and didn't feel they could run them any cheaper then what was presently being spent by the state. The regional associations indicated that only if the state was going to close the hatcheries down, did they wish to take them over. He further stated that if the state was compelled to not fund the program adequately, that the state at least eliminate those projects that are least cost effective and upon which the public is least dependent, or at least develop criteria so that the future can be guided by something other than politics.

Number 0572

Chairman Herrmann thanked Rep. Goll for his testimony and called for an at ease.

Number 0582

Chairman Herrmann called the meeting back to order and announced that CSHB 393 was on the table with the following amendment:

Page 2, Line 10: "(5) East Creek hatchery"

Number 0586

Rep. Goll offered the following Amendment

No. 1:

Amend Sec. 16.10.435

Page 1, Line 21: change "regional associations" to "regional aquaculture associations"

Number 0595

Rep. Grussendorf stated that in the statutes, "regional associations" do mean "regional aquaculture associations".

Number 0596

Rep. Goll proposed Amendment No. 2:

Amend Sec. 16.10.435:

Page 1, Line 24: to add another qualification:

"(3) comply with the permitting requirements of AS 16.10.400-470."

Number 0604

Rep. Goll was going to propose additional changes to be included in this amendment, but after committee discussion it was decided to take one at a time. Rep. Goll moved and asked unanimous consent to adopt proposed Amendment No. 2.

Number 0623

Rep. McBride asked a question regarding this amendment; didn't the (1) qualification take care of the permitting requirements?

Tape #43

Recording

Number 0001

Mel Monsen explained the operational permit statutes would still have to be applied to someone that leased the hatchery even if they weren't included in the bill as one of the requirements. Having it included as one of the requirements just makes it clearer.

Number 0015

No objections, Amendment No. 2 was adopted by unanimous consent.

Number 0018

Rep. Goll proposed Amendment No. 3:

Page 1, Line 20: Delete "shall" insert "may"

Rep. Goll moved and asked unanimous consent that proposed Amendment No. 3 be adopted.

Number 0023

There were objections and the motion failed.

Number 0025

Rep. Goll proposed Amendment No. 4:

Page 1, Line 24: Amend to read:

"(b) A lease to operate a state-owned salmon hatchery shall provide that the lessee shall be responsible for the operation of the hatchery in compliance with AS 16.10.420, the maintenance and upkeep of the hatchery, and shall indemnify the state against liability for harm or loss arising from the operation of the hatchery during the period of the lease".

He explained that this would require that the property be maintained. Rep. Goll moved and asked unanimous consent for adoption of Amendment No. 4.

Number 0045 No objections, Amendment No. 4 was adopted.

Number 0059 Rep. Goll proposed Amendment N 5:

Page 2, Lines 3-9: Amend to read:

"Sec. 16.10.436. TRANSFER OF HATCHERY OPERATIONS. The legislature will develop criteria for these transfers of state-owned hatcheries."

Number 0081 Rep. Grussendorf objected with reason being that it would not conform with the present budget being worked on.

Number 0087 Rep. McBride asked Rep. Goll if he would feel more comfortable with saying; "The FRED Division shall develop criteria", instead of "The Legislature shall develop criteria".

Number 0093 There was discussion between Rep. McBride and Rep. Goll; after which Rep. Goll resubmitted amendment to Amendment No. 5:

"Sec. 16.10.436. TRANSFER OF HATCHERY OPERATIONS. The Legislature in cooperation with the Fisheries Rehabilitation Enhancement and Development Division of the Department of Fish and Game shall develop criteria for the lease transfer of state-owned hatcheries."

Number 0116 There were objections and the motion failed.

Number 0123 Rep. Grussendorf moved that CSHB 393 as amended be passed out of committee with individual recommendations.

Number 0125

Rep. Goll objected and stated he would like to propose one more amendment:

Proposed Amendment No. 6:

Page 2, Line 9: Delete "(4) the Klawock hatchery."

He explained that the state would not be able to find a taker for the transfer.

Number 0140

Rep. Grussendorf said that if there are no takers for any of the hatcheries listed, a supplemental appropriation would then be granted to operational funding.

Number 0143

Rep. Goll withdrew his last proposed Amendment No. 6.

Number 0145

No further objections, CSHB 393 as amended was passed out of committee with individual recommendations.

Number 0151

Chairman Herrmann announced the committee schedule for next week and adjourned the meeting at 5:44 p.m.