

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES
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other resource and economic development projects. While this reversal in policy indicates greater federal interest in fisheries development, the study group must understand that the impetus for the change in policy is not salmon fisheries development.

We are aware of considerable national interest in the proper development of Alaska's fisheries consistent with this new policy. While the state is taking a number of actions to take advantage of the national policy, this is not a coordinated or priority activity at this time. We suggest that a major state effort be undertaken to upgrade AFRDP and effective presentations of state oriented proposals to federal policymakers are essential to achieving a more appropriate federal contribution to the state program.

Alternative Institutional Arrangements for Consideration
by the Study Group and the Alaska State Legislature

A. Introduction.

We have discussed a number of potential reforms to AFRDP which we believe are necessary to accomplishment of the broad fisheries development goals and objectives established by the state legislature and the executive branch for expansion and utilization of all the state's fisheries resources to the maximum benefit of its citizens. We have directed attention to the need for sound economic evaluation of AFRDP projects and programs prior to and during the course of

their operation, means of achieving greater financial stability for AFRDP program elements, and evaluation of institutional needs to achieve broad program goals. This review suggests a number of alternative institutional arrangements and possible reforms which should be considered by the legislature during the 1980 session. It is the purpose of this section to assist the study group in addressing certain alternative approaches to reform of AFRDP.

Alternative approaches include:

1. Options to assure greater central management control and horizontal coordination among all programs directly and indirectly involved in the development of Alaska's fisheries;
2. Options which reflect the need for planning and program implementation on the basis of identified regional needs; and
3. Options responsive to the particular organizational needs and problems extant within the present regional association program.

B. Options Relating to Centralized Management of Alaska's Fisheries Development Program.

We have identified a number of institutions at the state level directly involved in or impacting on AFRDP. Additional to those are a number of specific programs which indirectly affect accomplishment of fisheries development goals of various programs. (See Appendix II.) The needs and

missions of these many programs or offices must also be considered in the development of any proposed alternative organizational structure for AFRDP.

Option 1 - Maintain Present Organizational Structure, With Firm Legislative Mandate for Inter-Agency Cooperation and Coordination of Activities, and With Reforms to Individual Programs Responsive to Above Findings and Conclusions.

This approach would contemplate no alteration of the organizational structure of AFRDP as it presently exists, but would require legislative and executive action on a program-by-program basis to effect coordination and many of the necessary reforms. Authorities of various program activities would be altered or expanded to allow the programs to perform in a manner consistent with approved recommendations.

Legislative mandates to coordinate program activities already exist in a number of cases. In many instances, however, effective implementation of enacted programs has not occurred. Thus, a weakness of this approach is the lack of assurance that coordination among the wide variety of AFRDP activities will occur through clearer direction from the legislature.

Specific identification on a program-by-program basis of each activity which must be coordinated may be difficult from a legislative perspective because it would require a large number of amendments and detailed definition

of agency relationships. Certain of the program elements (e.g., office of the bottomfish coordinator, division level, program activities, etc.), are not specifically established by state legislation. In other cases, reorganization deemed appropriate by the executive branch may be inhibited by legislation which specifically authorizes and refers to division and office level activities.

While we have proposed a number of reforms which could require legislation affecting the various programs of AFRDP, we doubt that the goal of centralized coordination and consolidation of program as has been suggested can be achieved without some stronger mandate and clearer form of direction to the executive branch. A lack of accountability for such coordination, except on an individual program basis, would imply that AFRDP program results can be achieved through piecemeal management and without significant centralized direction. We do not believe this can be realistically achieved.

Option 2 - Present Structure, but Defined Through Executive or Legislative Action, With Lead Agency Responsibility for Certain Program Activities Within AFRDP.

This organizational alternative contemplates establishment of a lead agency which would be responsible for directing implementation and coordination of all activities related to AFRDP. While the basic authority of each individual

program, division or other activity would not be altered except as pursuant to accepted recommendations, their responsibility to respond and work cooperatively with the lead agency in establishment and implementation of AFRDP would be clearly established either by legislation or executive order.

This alternative will help elevate the priority of fisheries development within Alaska's government, provide greater visibility to fisheries development goals and programs, and should assure greater horizontal coordination and efficiency and improved management. While there will be debate as to which program or activity most appropriately would serve as lead agency, it is suggested here that there is a best choice among the candidates. Clearly, fisheries development involves more than just an understanding of salmon and other species. A lead agency must have or be able to draw expertise on such issues as the economics of fisheries, infrastructure development, construction of capital facilities, administration projects, project financing, among other things. No single agency presently has this broad capability.

However, we believe that the agency with the clearest mission and most relevant skill base to the task of over-seeing AFRDP is the Alaska Department of Fish and Game. We have discussed the problems of separating financial and operational aspects of the regional association program and recommended transfer of the financing program from DCED to

ADF&G. Such a consolidating action would not be necessary in other instances. What is necessary is establishing that by statute a lead agency be provided with sufficient management authority and control over various agencies and program elements to achieve and direct cooperation and support for AFRDP.

We believe that ADF&G is best suited to serve as lead agency because their understanding of resource issues is critical in the development of management, conservation and enhancement strategies for all species. As noted in our discussion relating to establishment of a methodology for economic evaluation of programs and assessment of financing needs of such programs, most proposed criteria or standards are clearly related to accurate assessment or projection of biological factors. However, a typical weakness of state fisheries management agencies is that mid-level and top management personnel often lack the broad range of professional and management experience necessary to oversee the variety of disciplines involved in a major resource development program. Thus, if ADF&G is to assume a lead agency role, it may be required to add personnel who have the experience and skills to carry out the goals of AFRDP.

We are impressed with the institutional arrangement in effect for Alaska's bottomfish development program. While we do not believe it is essential for a program coordi-

nator to reside within the office of the Governor, it would appear that this has contributed to greater visibility and attention to the off-shore fisheries opportunity than might have occurred had the program been located within a single department at the outset. Over time, and particularly if ADF&G or some other department is established as a lead agency for AFRDP, it will make sense to move the function to that lead agency.

A second feature of the state's bottomfish development activity is the establishment of a bottomfish task force, comprised of individuals within state government. The task force serves in an advisory capacity to the bottomfish coordinator and the Governor. Establishment of a similar advisory task force which includes industry representatives to work with the lead agency in the evaluation of AFRDP options, to offer new ideas and proposed actions, and to assist in the oversight of program activities makes sense. Such a task force would be primarily involved in the evaluation of centralized or state-wide management aspects of the program with regional associations and regional planning teams being primarily involved in dealing with local problems and interests. The legislature has already mandated that a comprehensive state-wide salmon development plan be established. This planning process should

be expanded to include other species consistent with proposals for AFRDP, and a top level task force could be involved in the development and evaluation of this comprehensive plan. A primary goal would of course be to ensure the integrity and protection of regional plans unless they are inconsistent with approved state-wide policies. Finally, we have suggested a continuation of the study group or the Governor's Fisheries Council. The functions defined for a task force could be assigned to either of these groups if they were properly funded. This would help avoid unnecessary duplication and possible competition.

Option 3 - Maintain Present Structure, but Establish Within the Office of the Governor an Alaska Fisheries Resource Development Coordinator.

This organizational alternative contemplates top level oversight and policy management of the wide variety of AFRDP programs from the Office of the Governor. This process would in many ways mirror Alaska's current bottomfish development program. With many agencies involved in fisheries development, the exercise of special top level management to ensure coordination and effective prioritization of the use of limited funds would be most helpful. Moreover, a coordinator's office within the Office of the Governor would elevate the level of public visibility for the fisheries development program, it would offer the opportunity for greater policy direction and control from that office, and

it would provide an office responsible for ensuring that agencies not operate at cross-purposes. Again, an AFRDP task force could operate in a manner consistent with the bottomfish program.

If this option were elected, the coordinator would need sufficient staff and direction either by executive order or from the state legislature to clearly define its functions and powers over existing agencies, and in establishing program goals and priorities. This is not to suggest establishment of a new bureaucracy, but merely a coordinating office with sufficient staff to perform assigned tasks consistent with established goals for AFRDP.

Some negative concerns about this option might include the appearance of the establishment of a new super agency or "czar" responsible for operation of fisheries programs at the expense of powers of other agencies. Moreover, it might be difficult for this office to maintain control over a wide variety of program elements with only limited day-to-day oversight and incidental involvement in program operations. The potential for conflict between the office of the AFRDP coordinator and mid-level and top-level management in the various agencies could also be a limiting factor to this approach.

Establishment of an AFRDP coordinator within the Office of the Governor could also be subject to the vicissitudes of politics. The legislature may be hesitant to place necessary powers in such office, and may tend to limit

necessary powers.

Finally, creation of an AFRDP coordinator within the Office of the Governor for any long-term period may tend to remove further centralized management and state-wide policy and planning activities from those proposed to be accomplished at regional levels. Line agencies have local staffs and experience or responsibility for close relations with regional entities. An AFRDP coordinator would not (unless his office was to be expanded to include field representation) participate in development of local plans and policies. An expanded office may have to be developed to deal with fisheries development activities if the new office were to expand its operations and involvement into regional development and planning activities.

Option 4 - Establish a Separate Fisheries Development Agency or Office Through Executive Reorganization Authorized or Approved by the State Legislature.

Establishment of a fisheries development agency or office under the Governor, with assignment of existing programs from a wide variety of agencies to such new agency or office is a possibility. (For example, assignment of all salmon, shellfish, and bottomfish development activities, loan programs and facilities construction programs, within a single agency might be possible.) This agency would have the specific responsibility to work directly with regional associations in a manner consistent with newly established

policies. Some positive aspects of this alternative include clear high-level visibility for AFRDP by establishment of a special program and agency; single agency control over budget and responsibility for all elements of AFRDP; and, separation of major development and management activities. This organizational option may more clearly separate development and management from a regional association perspective, with key association relationships evolving with the development agency rather than the harvest management agency.

Some negative aspects include likely competition for dollars between fisheries development and fisheries management agencies, perhaps greater difficulties in coordinating fisheries development and management activities which are necessary to the success of both programs, and the possibility of a larger bureaucracy with increased program costs. Moreover, it would be difficult to include all program development activities within a single agency. For example, activities pertaining to infrastructure development, data collection applicable to both management and development programs, a wide variety of state regulatory activities, and the like, would not likely be included in this "umbrella agency."

C. Organizational Alternatives Affecting Greater Regional Coordination Between State Agencies and Regional Associations.

It is our view that the peculiar needs of the many diverse regions of Alaska must continue to be addressed by

the study group and the state legislature. We have already suggested a number of reforms to affect improved relationships between the state and regional associations. Among major recommendations are:

1. Expansion of regional association authority to become involved in development activities related to species other than salmon (i.e., an active role in AFRDP);
2. Upgrading the regional planning process and regional association involvement in that process;
3. Upgrading of data and information and benefits of research to be available to regional associations and establishment of procedures to ensure sharing of information and research among regional associations and state agencies;
4. Consolidation of regional association financing and operational programs within a single agency;
5. Establishment of clear biological, economic and management guidelines against which all development projects and their performance can be measured;
6. Establishment of a one-stop model permit program for fisheries development activities;
7. Mandatory cooperation between ADF&G and

regional associations regarding specified activities;

8. Establishment of a coordinated research program, including construction of a joint or consolidated research laboratory and coordinated research planning mechanisms and methods to fix research priorities consistent with AFRDP program goals;
9. Mandatory coordination of AFRDP activities through development of cooperative agreements between ADF&G, regional associations and appropriate federal and state agencies;
10. Establishment of a ten-year operations plan which ensures development and clear delineation of responsibilities of regional associations and state agencies, to be assumed over the long-term, and which seeks to build requisite skills in such associations and state agencies to ensure accomplishment of AFRDP goals; and,
11. Alteration of the regional association form to include greater local government involvement, this to ensure stability of financing and improved operations.

Options relating to regionalization of Alaska's boards of fish and game were embodied in house bill 193, introduced during the 1979 legislative session. While we

have reviewed this proposed legislation, and would expect the study group to focus on this or similar approaches, we have directed our attention to alternative institutional arrangements relating specifically to the operations of regional associations and ADF&G, including those outlined above. For purposes of this discussion, we assume a basic goal of facilitating greater responsiveness of AFRDP to regional development needs. Alternative institutional arrangements would appear to include:

1. No alteration in ADF&G or regional associations (this option would assume that the financing problems for regional associations might be resolved without altering the regional association form);
2. Expansion of ADF&G regional staffs to better address local development needs and implement a coordinated program to include increased support services to regional associations;
3. Legislative establishment of regional offices, empowering a regional administrator to fix ADF&G regional policies and implement approved programs--such legislation would include clear definition of relative roles and responsibilities of ADF&G regional offices and regional associations.
4. If an AFRDP coordinating office is established

in the office of the Governor, somewhat similar to establishment of an office of the bottomfish coordinator, it may be appropriate to establish regional offices to ensure a direct link between regional associations, fisheries development program staffs, and the Office of the Governor.

5. If development activities are in any way separated out from fisheries management activities, regional relationships between these functions would have to be established for purposes of regional planning and program implementation and operation.

In assessing institutional arrangements to further improve the level and quality of consideration of regional interests and increased coordination among regional associations and development program staffs, certain key issues must be addressed. Included are:

1. Assessment and identification of roles, responsibilities and powers of both regional associations and program staffs in planning and in the development of policies and implementation of programs. Again, we have suggested that the evolvement of AFRDP, including final institutional arrangements consistent with goals and recommendations herein, will involve

approximately a ten-year planning and implementation cycle. Assignments of responsibilities and powers will be dependent upon the maturation of various program elements and their relative capacity to perform assigned tasks. In many instances, experimentation will be required on a model project basis (e.g., regional association involvement in development projects related to species other than salmon).

2. Appropriate assignment of technical staff support on the basis of needs of each particular region;
3. Arrangements to ensure resolution of disputes and conflicting policies among the regions;
4. Establishment of a methodology for implementation of state-wide policies on a region by region basis;
5. Establishment of a methodology for making responsible and equitable budget decisions as they affect each particular region;
6. Establishment of means to assure coordination between regional officials and all programs directly or indirectly involved with AFRDP; and,
7. Identification of means to establish relationships between regional officials and external activities (e.g., federal, private) affecting

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fisheries development activities in the region.

We have not focused on developing a detailed institutional arrangement related to the organization of regional agency staffs. This is a matter which may appropriately be addressed by the study group prior to the 1980 session, at least to determine necessary first steps to be considered and reviewed during the course of the proposed ten-year reorganization plan. While we have developed a number of concepts regarding the regional organization structure, these have not been sufficiently tested or evaluated to be included in this report.

D. Organizational Alternatives Affecting Regional Associations.

1. Introduction.

As discussed in Chapter II, the recent Superior Court decision ruling that A.S. 16.10.530 is unconstitutional forces us to consider a number of alternative institutional arrangements to the present regional association program. This would have been necessary in any event because of the need for greater financial and organizational stability for the program.

The State Attorney General has suggested the need for legislation and has identified five "potential legislative alternatives to the now unconstitutional statutory scheme" in a letter to the Governor dated July 20, 1979. We have

suggested a sixth option which would require alteration of certain constitutional provisions and have elaborated on alternative options pertaining to establishment of service areas. We also explore alternative approaches to financing regional associations in the future.

2. Potential Institutional Arrangements, Assuming No Constitutional Revision.

Option 1 - Active Legislative Involvement in Regional Association Program.

Article VIII, Section 5 of the Alaska Constitution provides:

The legislature may provide for facilities, improvements, and services to assure greater utilization, development, reclamation, and settlement of lands, and to assure fuller utilization and development of the fisheries, wildlife, and waters.

The legislature could on an annual basis approve specific facilities and services (or appropriate funds on a more general basis) and directly appropriate funds to the associations for specified purposes. The level of funding of approved projects and services could be established with or without reference to fisheries taxes collected by legisla-

but an appropriation would be required (see Article IV, Section 7 of the Alaska Constitution prohibiting dedicated funds). Any taxes collected for fisheries development would be by the state assessments as declared unconstitutional in Alex v. SSRAA would not occur.

This option suggests legislative control of all activities to be undertaken by regional associations, much as if they were individual state agencies. Funds for planning have been appropriated this past year for regional associations, and appropriations to DCED's loan fund for the program also occur.

More direct legislative involvement in the program than at present arguably presents problems. First, subjecting the program to the vicissitudes of the appropriations process on an annual basis offers limited financial stability. Second, the concept of user pay is not present, and commitment to the program may be limited because of the heavy front-end investment in both the F.R.E.D. and regional association programs without special arrangements to offset this burden with contributions from those who would achieve the primary benefits. Third, regional associations would have to annually lobby for financial support. Fourth, there would be excessive competition for limited dollars among the associations and F.R.E.D. Fifth, this financial plan does not provide for any reduction in operating and maintenance costs to the state over time. Because of these problems, we suggest that this option be considered only as an interim funding source.

Option 2 - Establishment of Special Service
Districts Consistent With
Constitutional Provisions.

Article X, Section 5 of the Alaska Constitution.

provides that a borough assembly may establish service areas to provide special services within its boundaries, and authorize "the levying of taxes, charges or assessments within a service area to finance the special services." Article X, Section 6 provides that the legislature may do the same for unorganized boroughs. We have suggested in Chapter II that alteration of the regional association program to conform with the service area concept could provide greater organizational and financial stability than does the present form.

Conversion of the regional associations to a service district, however, presents some problems. The first problem is the obvious alteration of the regional corporations to a quasi-governmental arm of local government. This may present a philosophical problem for legislators, association members and local governments themselves who may not be pleased with so strong a user controlled form of governance. Additionally, some may not accept this arrangement as an acceptable alternative to private non-profit or for-profit aquaculture.

Second, borough boundaries do not conform with those presently established for the associations. The legislature can likely fix relatively the same service area boundaries as for regional associations in the unorganized boroughs. It will be more difficult for organized boroughs to extend service areas beyond their boundaries (see Article

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X, Section 5 of the Constitution). Article X, Section 13 of the Constitution authorizes cooperative agreements for joint administration of any functions or powers among local government units. Extending jurisdiction of a service area to parts of another organized borough, but perhaps not all of it, presents obvious problems. Reaching agreements among these local boroughs will not be easy, as powers to be divided among the governments will be the subject of dispute. Pressures for changes of governmental roles and controls could be a constant as local interests become concerned with their perceived share of program benefits. Cooperative agreements can be broken or altered under difficult circumstances. There is a valid question whether persons outside the borough but included in the service area will be satisfied that they are truly being represented by borough officials whom they do not elect.

The present association boundaries are founded for good reason. Fishermen are licensed to fish in specific areas in Alaska and the benefactors of the program (and those to be assessed) are easily defined. Borough boundaries, if used, may also present a special "free rider" problem for the regional association program. To the extent boroughs represent smaller districts and are not drawn to reflect where fish are hatched or harvested, aquaculture by such a small service area may inhibit investment in the resource because there is less assurance of returns to the investor

(payers of the assessment).

Another critical issue in the establishment of service areas will be to preserve to a reasonable degree the level and quality of input and control user-benefactors are to exercise for both development and planning activities. The organization and functions of the service area are again a matter for the legislature. It is likely that local officials will expect a greater role in the operation and management of the service area, as they are ultimately accountable for performance. Moreover, to the extent these entities are to provide financing for construction and operation of local port facilities and infrastructure, the impact of such programs on other municipal and borough functions must be considered.

A special effort to resolve problems related to this service area option is necessary, as it offers a number of positive benefits. First, the legislature may be more inclined to accept greater risk and fund more liberally activities of a local government entity. Legislators are used to dealing with such entities; they recognize that accountability for failures or success will exist; local agencies will be able to offer certain services, administrative assistance, and data and information more easily to service districts than to the associations; and, service areas present a more mature organizational form with a wider experience base than do the organizations of existing

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regional associations.

Expansion of the authority of the regional associations consistent with the concept of AFRDP fits especially well with this possible alteration of the association form. Many of the development activities related to utilization of off-shore fisheries involve funding for infrastructure, port facilities, marina and dry-dock space, etc. These activities are often funded in large part by local government entities (e.g., port districts). Additionally, attraction of federal and state matching funds for such purposes will be easier for local government entities than the present associations, and the local citizenry can be taxed to the extent they may benefit from local development activities. Local government permits will be easier for approved service area actions than perhaps is the case at present for the associations.

Finally, there are some specific legal questions regarding the service area option which need to be considered prior to the 1980 legislative session. First, does the legislature have authority to establish service districts or areas within the organized borough? If so, can the legislature extend such service area boundaries into another organized borough or the unorganized borough? A positive determination as to these questions would make it possible to establish service area boundaries consistent with those for existing and planned regional associations more easily, and without

constitutional amendment.

Second, can the legislature mandate that organized boroughs establish service areas for fisheries development and further require that the borough reach cooperative agreements with other boroughs for extension of the service area into their area of jurisdiction? Again, a positive determination will resolve in part boundary problems relating to the service area option.

Third, can the legislature authorize organized boroughs to levy taxes, charges or assessments within a service area (perhaps beyond its boundaries) in behalf of a fisheries development service district established by state legislation and performing most of its functions (other than taxation or assessments) separate and apart from the organized borough? This issue arises if the legislature seeks to separate the regional fisheries development program authority from the taxing authority, with the local government entities (organized boroughs) passing tax or assessment receipts directly through to the program. The problem of dedicated funds from a local government entity needs to be addressed if a positive determination is made that such separation can occur. A related and similar question involves what level of control or authority over fisheries development activities must be exercised by borough officials if the service district concept is adopted.

Fourth, in the case of the unorganized borough,

what entity would be responsible for taxing or assessing fishermen in behalf of the association or service district established by the legislature? Additionally, in the case where a borough service area is extended into the adjacent borough or unorganized borough, who collects taxes or assessments from fishermen licensed to fish in areas outside the borough, but in the service area?

Fifth, we are concerned about preserving the voluntary assessment aspects of the existing program. Presently, fishermen in a given region must elect to form regional associations and assess themselves for aquaculture development activities. We have discussed the possibility of diverting a portion of state-wide fish taxes (A.S. 43.75) to the regional association or its predecessor organization. Another possibility is to increase this tax, in lieu of an assessment or separate local or state-wide tax for aquaculture. Regional fishermen might then have the option to elect not to pay a certain percentage of the state tax (e.g., that percentage added to the existing tax). Will a state-wide tax, with provision that a service district exercise an option either for or against an additional tax for purposes of fisheries development, stand the constitutional test under the due process and equal protection doctrine? A related question involves who must be represented in the organization of the service district and who must be taxed to pass this constitutional test?

Sixth, in the face of the Superior Court's holding that "an incorporated non-profit association may not become a 'service area', either by inference or express legislative declaration," and that the "hybrid creature legislatively conceived cannot survive the constitutional infirmities and defects present at its birth . . .," is it realistic to assume that the regional associations can maintain any of their private or corporate characteristics? Further, is it even possible for some new agency to assess and collect taxes in behalf of or pass through state taxes to a regional association which retains these characteristics? Could such monies be collected by or through to Salmon Authorities established by A.S. 16.10.600 et. seq.?

3. Potential Institutional Arrangements,
Assuming Constitutional Revision.

Potential constitutional revisions to resolve the legal problems affecting the regional association assessment problem and to affect greater organizational stability include:

- (a) Amendment to Article X, Section 5, which allows for establishment of service areas, to allow extension of the boundaries for provision of special services beyond those of an organized borough.
- (b) Amendment to Article IX, Section 7, which prohibits dedication of the proceeds

of any state tax or license to any special purpose, to allow for dedication of fisheries tax monies (e.g., A.S. 43.75) to regional associations for construction and operation of fisheries development facilities (Article IX, Section 13 requiring appropriations to withdraw monies from the Treasury may also have to be amended).

- (c) Amendments to Article X, Sections 1 and 2, which seek to limit potential duplication of taxing authority by allowing the State to delegate its taxing authority to organized boroughs and cities only, to allow assessments or levies by associations established by law for a public purpose. Again, any amendment to the Constitution could be difficult, particularly if its purpose is limited to a single interest or program.

The first of these amendments would be helpful to resolve potential boundary problems discussed above if the regional association form were to be altered to conform to the service area concept.

The second of these amendments would allow the state to collect a tax on fish harvests and direct those

taxes back to the regional association for use in a manner consistent with the present assessment and without an appropriation by the legislature.

The third of these amendments would allow for significant alteration of the regional association form and increase capability to finance its operations. It contemplates the establishment of "junior" taxing districts in any variety of forms. There are many examples in the lower 48 states which might serve as appropriate models for an altered regional association program. We have suggested that port authorities in Washington and Oregon provide an excellent model for "junior" governmental economic development activities similar to those of AFRDP. Port authorities operate pursuant to statute, elected officials administer them, they have bonding and taxing authority (with ceilings on each), and are subject to considerable voter controls.

Economic development districts have been formed pursuant to federal and state statutes to perform a variety of tasks and are somewhat less visible, more limited in authority and political accountability, and largely have been formed in major centers of commerce. METRO, a local authority in King County, is an example of an organization formed for specific purposes (e.g. transportation, sewage control) to deal with governmental problems shared across jurisdictional lines.

While infrastructure development and other economic

development activities may well be inhibited in Alaska as a result of present constitutional prohibitions, the framers obviously felt strongly that the spectre of junior taxing authorities presented more ominous concerns for Alaska's citizens. This may or may not still hold true, but we wonder if the regional association financing problem and the 200 mile limit fisheries opportunity are sufficient impetus to reverse so strong a policy. This is particularly true if there are alternative legislative remedies to deal with this problem.

To conclude, amendment to the Constitution could affect greater flexibility than presently exists for the legislature to alter the basic form of regional associations and to provide greater organizational and financial stability. However, the process to amend the Constitution is by no means an easy one, and to amend certain of the above provisions for the purposes stated herein may not be realistic. We suggest this is an option which may ultimately have to be considered if further legislative attempts fail to achieve a fisheries development program consistent with the constitutional mandate contained in Article VIII, Section 15, that the powers of the state not be restricted to prevent economic distress in the fishery or promotion of the "efficient development of aquaculture in the state".

Chapter IV - SEARCH FOR GOALS

Introduction

We have discussed in the previous chapters a variety of program and other changes which may be necessary to achieve the basic fisheries resource development goal articulated in Article VIII, Section 15 of the Alaska Constitution: ". . . to prevent economic distress among fishermen and those dependent upon them for a livelihood and to promote the efficient development of aquaculture in the State." Article VIII, Section 5 of the Constitution further provides: "The legislature may provide for facilities, improvements, and services... to assure fuller utilization and development of the fisheries..." These constitutional provisions clearly set forth the fisheries resource development goals for Alaska.

A second series of goals articulated in the Constitution may provide a basis for providing a role for local government units in fisheries resource development activities. Article X, Section 5 authorizes the borough assembly to establish "service areas to provide special services within an organized borough." Article X, Section 6 authorizes the legislature to do the same in the unorganized borough. The legislature, pursuant to this latter section is to allow "for a maximum of local participation and responsibility." Finally, Article X, Section 13 provides for intergovernmental cooperation or joint administration among local, state and federal governments. This second series of constitutional

provisions seem to encourage local involvement in fisheries resource development activities, as well as suggest the form such involvement could take.

Bearing in mind the desire on the part of the framers of the Alaskan Constitution to have the constitution be a broad policy document, we do not see a need for additional goals for the fisheries resource development program. In fact, the constitution is unusually clear about "the efficient development of aquaculture" and in other states similarly worded language has been construed to be a constitutional mandate.

While some may agree or disagree as to whether it makes sense to read the aquaculture provisions together with those provisions which encourage local government involvement in fisheries development, the concept of regional planning and the involvement of the regional associations in the fisheries resource development process, seem to at least go part of the way toward the constitutional intent of local involvement.

Recommendations

Based upon our review of the fisheries resource development goals which are constitutionally established, we see no need at this point to either add to or alter these constitutional provisions. Rather than focus further attention upon resource development goals, we believe it would be more productive to instead focus attention on the

means established for achieving those goals.

The recommendations discussed in Chapters I-III suggest that the legislature, the Governor and their constituents should concentrate on a number of improvements to the existing fisheries development program. The basic framework for a resource development program has been initiated with the notable exception of a framework which will assure financial stability to key program elements. Further improvements in the program which meet the spirit as well as the intent of the stated constitutional goals will require in general terms at least the following:

- (1) Establishment of an overall policy management approach to fisheries development on a multi-species basis (AFRDP);

- (2) Improved direction, fixing of program and financial priorities, and coordination among AFRDP program elements;

- (3) Establishment of methodologies for the biological, social and economic evaluation of program activities;

- (4) Significantly improved and expanded resource data and information;

- (5) Expansion of fisheries research in Alaska and improved coordination among federal, state, university and private research activities;

- (6) Increased financial stability for state and regional fisheries development programs;

(7) Upgraded planning which addresses region-specific fisheries development needs with input from local user interests and adequate technical support from state agencies;

(8) Establishment of a financial support base and income streams which will ensure the economic self-sufficiency of the aquaculture program, as appropriate, over a reasonable period of time;

(9) The phasing in of all proposed actions over a multi-year program development cycle, with continued monitoring of progress and reevaluation of priorities and needs; and,

(10) The continued commitment of the Office of the Governor and the Alaska Legislature to the implementation of effective programs designed to meet the constitutional goals.

Each of the above statements is directed at strengthening the existing fisheries development program. Each addresses basic needs identified by the study group and the contractors. While there will be disagreement with some or all of the recommendations addressed in this report, it is our hope that the program recommendations contained in this report will contribute to the accomplishment of the basic goal of the Aquaculture Policy Study Group: "to improve on the considerable effort by the State of Alaska to date to provide for the efficient development of aquaculture in the

State," and to "assure fuller utilization and development of the fisheries." The Constitutional framers and citizens of Alaska have fixed these goals; it is for the Governor and the legislature, with help from their constituents, to ensure that the effective programs and activities to achieve them are implemented.

APPENDIX I
COMMENTS AND RESPONSES

APPENDIX I

COMMENTS AND RESPONSES

Chapter I - Salmon Aquaculture Economic Evaluation Techniques

Comment: From whose perspective is the micro-economic analysis being conducted?

Response: The report clearly identifies two "investor" perspectives. The Return on Investment micro-economic analysis technique is recommended for regional associations who are the "investors" in their regional programs and facilities. The Cost Benefit Analysis technique is recommended when governmental agencies are the "investors" in government programs and facilities.

While there a number of other interested parties including sportsmen, taxpayers and processors, for example, the investors and not these groups bear the financial responsibility for aquaculture projects and programs.

Comment: The recommendation that additional state tax revenues be diverted to regional associations is inconsistent with the Governor's policy of user pay. Secondly, why shouldn't the PNP's be operated without government subsidies?

Response: There are two issues involved in this comment. During the first meeting of the Policy Study Group a decision was made to exclude consideration in this study of opening up the salmon aquaculture program to large for profit corporations, consequently this option is not addressed in this report.

With regard to the second issue, because the PNP's are non-profit they cannot attract risk capital because there is no profit incentive to make such investments. The current levels of assessment will not provide a sufficient amount of revenue to allow the regional associations to make a sufficient contribution to the harvestable number of salmon over the next decade or two. Currently the State of Alaska pays for all operating costs for state facilities. What we are recommending in the report is for the state, over the next decade to invest some of its one-time oil revenues in the regional aquaculture program so they can make a more significant contribution to the fishery. In addition, we recommend that once state hatchery facilities reach full production status that these facilities be managed by the regional

associations with the operating costs for these facilities as well as regional facilities be paid for by a terminal area harvest. This approach will allow the state to shift its growing cost burden of operating hatcheries from the general tax payers to the primary beneficiaries of the facilities.

In summary, we are not proposing a "government subsidy" of the PNP's. We see an opportunity and a need for the state to invest in a program which will not only return more state tax dollars in the future but also allow the state to reduce its expenditures.

Comment: Why do you recommend that hatcheries not be required to carry the full cost burden of administration, start-up and other cost items?

Response: In both the Return on Investment and the Cost Benefit Analysis models, all costs associated with a facility are included in the analysis to aid the decision makers in assessing the economic viability of projects.

In the Source and Applications of Fund Model we are recommending that start-up costs be expensed and not capitalized. We believe it is critically important to minimize the size of the terminal harvest required to pay operating costs. If the operating costs can be contained to the point where no more of the artificial run is required to pay these costs than would return to spawning grounds for natural runs, we can avoid establishing two sets of harvest regulations - one for the natural run and one for the artificial run, so we avoid the regulatory problems in mixed stock fisheries. We also avoid the problem of harvest area compression which could result from having two sets of regulations.

The cost studies we presented to the study groups during the May meeting indicated that operating costs, with start-up costs capitalized, and the payback of the capital investment would in most examples consume about 50% of the run which led us to search for ways to minimize the cost burden placed on hatcheries and avoid the harvest regulation problems.

In the long run, once the regional associations are of a sufficient size to spread administrative and technical service costs over a larger base of operations and when expensive egg takes are no longer required because of the runs being established, hatcheries can be operated on an economically self-sufficient basis.

Comment: Is there a threshold ROI value, using your computational methods, below which the aquaculture project would be considered economically unsound.

Response: Typically in ROI analyses, any investment which would not provide a return on the investment equal to what could be earned by putting the money in a bank and drawing interest is regarded as a threshold measure.

Chapter II - Sources and Methods of Projects Financing Salmon Aquaculture

Comment: On page 68, you state that, "the existing assessment program (if re-enacted) does not provide sufficient revenues to pay administrative costs, regional technical expertise and hatchery start-up and operating costs for more than one large facility at a time." I disagree with this statement.

Response: One of the primary concerns of the Aquaculture Policy Study Group prior to the court decision overturning the mandatory assessment program was whether or not the assessment revenue and revenue from terminal area harvests would be sufficient to provide for an orderly expansion of the regional aquaculture program.

In our examination of the financial information provided to us it did not appear that there would be sufficient revenues available, and we therefore recommend that additional revenue equivalent to that available from assessments would be necessary to allow Southeast Alaska to annually produce 5 million harvestable salmon at the end of 20 years.

Three factors could have a significant influence on this recommendation. If, based upon the regional plans, regional associations decide on a slower growth rate or on a program which emphasizes rehabilitation of natural stocks, it is possible that current revenues could be sufficient to carry out the desired program.

A second factor could be a decision to produce pink salmon because of the early returns.

The third factor is the high rate of technical development now occurring in the fishery. The use of relatively inexpensive incubation boxes and lake fertilization could result in substantially lower unit costs which would in turn reduce the level of revenue required.

One final point should be noted. We acknowledge in the report that the 200 million in funds available for loans appears to be adequate for the near future. In theory, at least, a regional association could borrow the funds to start a second or third facility. As a practical matter, however, unless some way is found to drastically reduce construction and or operating costs, the present \$3.0 million loan ceiling does not provide enough funds to construct a facility and operate it until sufficient returns are available to help pay part of the cost. In addition, if start-up costs are capitalized, rather than expensed we get back to the problem of requiring a disproportionate share of the run required for operating costs and loan repayment and the attendant harvest regulation problems discussed earlier.

Comment: The six alternative financing proposals are all tax mechanisms in one form or another. Did you consider a private sector solution?

Response: We considered a number of financing alternatives, however it boils down to three choices. These are: the fishermen and processors and how much they can reasonably be expected to pay; a terminal area harvest which requires facilities in production; and, the state's willingness to make a short term investment (over the next decade) in the fishery. As we indicated earlier we did not examine the financing option of large for profit corporations.

Comment: There are tremendous potentials and problems (both biological and economic) with the terminal area harvest concept. It needs to be more carefully examined as a method of financing.

Response: We fully agree with the comment. It is clear from the legislation that some level of terminal area harvests was contemplated as a source of financing. When the regional plans are completed, assuming they include site and species-specific information, the harvest management implications of these plans need to be carefully reviewed. Because of our concern over potential problems we have stressed the importance, and do again, of the need to minimize any difference in the harvest rate on natural and artificial stocks.

Chapter III - Institutional Problems and Potential Reforms

Comment: Why should the state have an Alaskan Fisheries Resource Development Program? Shouldn't we be concerned with getting the Alaskan Salmon Resource Program working first?

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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Chapter III - Institutional Problems and Potential Reforms

Comment: Why should the state have an Alaskan Fisheries Resource Development Program? Shouldn't we be concerned with getting the Alaskan Salmon Resource Program working first?

Response: We fully agree that a Salmon Resource Development Program needs to be in place and fully functioning. We also are concerned that unless some effort is made to coordinate the entire fishery (bottomfish, shellfish and salmon) over-fishing, for example, on one segment of the fishery could have severe effects on other segments.

In addition to a concern over the significant degree of interdependence among the species, we are seeing a growing number of multi-species fishermen (fishermen who fish for salmon and crab, fishermen who fish for salmon and bottomfish, and etc.). It takes only a little imagination to predict that some form of limited entry will soon be required across the entire fishery. If steps are taken now to rationally plan fleet sizes and composition now, perhaps Alaska can avoid the excessive gear and attendant harvest regulation problems which have made salmon harvest management so difficult not only in Alaska but Washington, Oregon and California as well.

In summary, we believe that some level of activity which overviews the entire fishery could help avoid potential future problems and help Alaskan decision makers formulate sound overall fisheries management policies.

Comment: The discussion on research is too cursory.

Response: It was not intended in the report to specify a research program in detail, but rather to indicate the type of research activities we see as necessary to ensure a more coordinated scientific basis for the management of the fishery.

During the fourteen months the Presidential Task Force on Northwest Fisheries was in existence, federal, state and tribal fisheries scientists and biologists spent a great deal of time defining the research needs of the salmon fishery in Washington state, much of which was reviewed to form the basis of our recommendation. In addition, because of their concern over the lack of research and information, a consolidated fishery research facility (federal, state and tribal) is being constructed in Washington state at a cost of \$15 million. Given that the Washington salmon fishery is less than 1/10 of the size of the Alaskan salmon fishery and given the importance attached by the fisheries scientists to the Washington state research problems, we are persuaded that the State of Alaska could also benefit from an expanded and coordinated research program.

Comment: Coordination between DCED and ADF & G has been significantly improved during the past two years regarding the project and loan approval of aquaculture projects. In addition, DCED has employed a fisheries biologist who participates in the aquaculture loan review. Given these improvements in coordination and technical review, how would shifting the loan authority to ADF & G result in any significant benefit to the state or the regional associations?

Response: Our recommendations are based upon two factors. First, if the loan program is limited to loans for capital facilities and not operating funds, then we believe the project and loan approval should be a single action performed by the department with the greatest overall expertise in fisheries, construction costs and technology.

Secondly, the process of selecting productive sites and appropriate facilities requires substantial local knowledge of stream conditions, harvest management problems, construction costs, egg takes, remote release requirements and similar issues. ADF & G through their regional staffs is in a better position to acquire and apply this knowledge in an approval process.

Comment: If the loan program is continued in its present form (i.e., both capital and operating costs), would you still favor totally removing the loan ceiling?

Response: No. The proposal to remove the loan ceiling again was conditioned upon the recommendation that the loan cover only capital construction costs. If the loan program is continued in its present form an increase in the ceiling should be made to reflect inflationary impacts on construction costs and the longer term required for start-up. In addition, if the ceiling is increased and operating costs are continued within the loan program, our recommendation to shift the loan program from DCED to ADF & G loses much of its support because of the need to annually monitor operating loans over a further extended start-up period.

APPENDIX II
INSTITUTIONAL ANALYSIS

INSTITUTIONAL
ANALYSIS

INSTITUTIONAL ANALYSIS

Introduction

The following analysis has been developed after review of the prime contract for this project, the sub-contract to Leonard Lane Associates, our clarifying letter of March 23, and our original proposal to the Aquaculture Policy Study Group. From each of these documents, we determined that the institutional analysis should include the following items:

- A comprehensive list of organizations and institutions involved in the Alaska Salmon Resource Development Program.
- A data-base of various characteristics for the primary organizations and institutions.
- General comments on the institutional framework of these organizations as they pertain to the Alaska Salmon Resource Development Program.
- Various recommendation and action steps for improvement to the institutional framework.
- A search for goals for the Alaska Salmon Resource Development Program as indicated by the various goals of the institutions in the ASRDP.
- Various institutional and operational problems as noted by each institution including our review of these problems.
- A suggestion of alternative goals and/or methods for producing goals improving the ASRDP.
- Alternative institutional frameworks of benefit to the ASRDP.

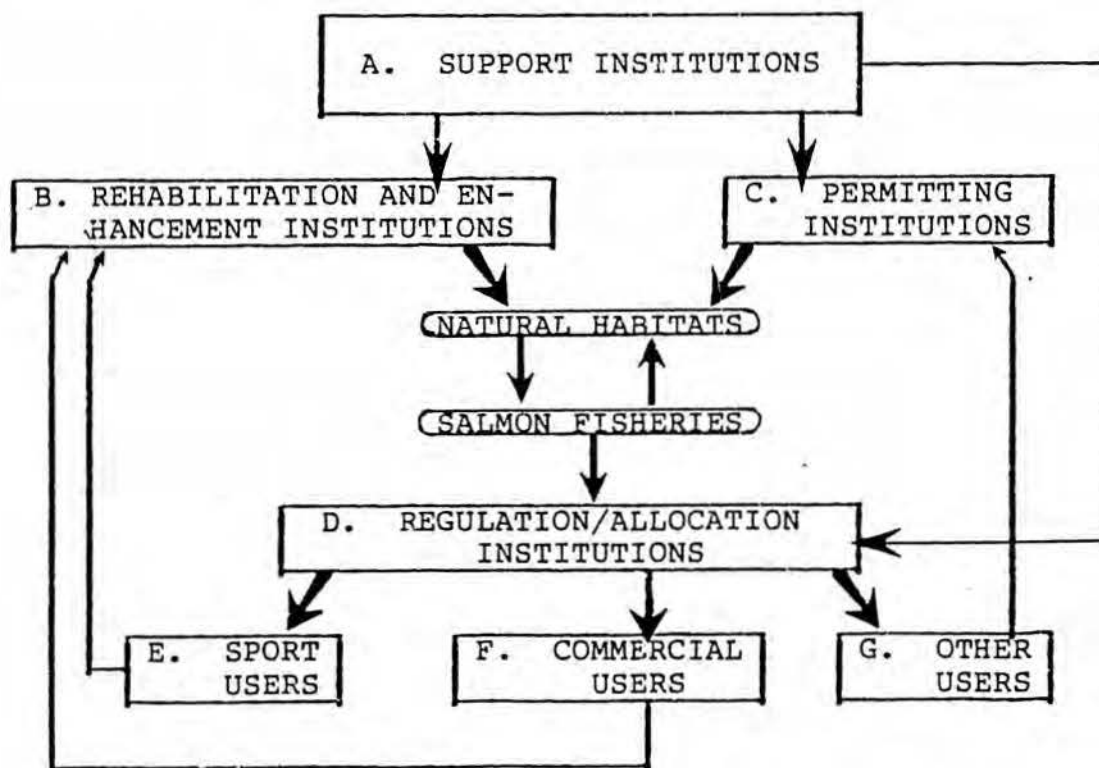
The following analysis and supporting data fulfills and requirements of each of the above items. The discussion commences with an overview of the institutional framework

and proceeds through a detailed discussion of our findings, conclusions, and recommendations in each of the first two tasks noted in our prime contract. The final two sections of this report provide the detailed institutional data from which this analysis was derived.

Institutional Framework

The following discussion describes the institutional framework of those organizations and individuals involved in Alaska's salmon fishery. The organizational concept includes all organizations and individuals who either impact Alaska's salmon fishery or its habitat, directly or indirectly (primary institutions), and also includes secondary institutions which dramatically impact primary institutions. The organizational concept includes management of the resource, protection and enhancement of the habitat, harvesting, processing, marketing, and the academic, financial, and regulatory institutions effecting the salmon production industry in Alaska.

After having identified and researched all publicly and privately funded organizations in Alaska qualifying as primary institutions, each institution was contacted and a series of its characteristics described in detail. A review of this data indicated seven (7) major categories for the institutions, the following diagram illustrates the institutional framework for these institutions and the arrow indicating the flow of influence between institutions. Institutions are indicated by rectangles whereas the natural eco-system of the salmon is indicated with ovals. A detailed discussion of each institutional category is provided in the following pages.



A. SUPPORT INSTITUTIONS

Support Institutions include those organizations involved in research, financing, policy development, and planning. These institutions predominately support the fisheries rehabilitation and enhancement efforts, the permitting activities of the public sector, and the regulation and allocation activities of the public sector.

B. REHABILITATION AND ENHANCEMENT INSTITUTIONS

These institutions have as their primary goal the expansion of the Alaska Salmon Fishery through capital projects and operations in Aquaculture. Aquaculture projects would include both the artificial propagation of salmon as well as various activities enhancing the salmon's natural ability to reproduce.

C. PERMITTING INSTITUTIONS

These institutions serve as a regulator of human activity impacting the habitat utilized by salmon in Alaska. These institutions are responsive to requests by individuals wishing to use the habitat. Permits require these potential users to operate within guidelines consistent with the primary goals of habitat use.

D. REGULATION/ALLOCATION INSTITUTIONS

These institutions represent the police powers of the state in the management and preservation of the salmon resource. These institutions predominately effect the harvester segment of the industry.

E. SPORT USERS

These institutions represent individuals of the state whose primary use of the salmon is for sport as defined by the state in its Fish and Game Statutes and regulations (Title 16).

F. COMMERCIAL USERS

These institutions represent any individual or corporation which derives economic gain from the harvest, processing or sale of salmon taken in Alaskan waters. Commercial users are also defined in Alaskan Fish and Game Statutes and regulations (Title 16).

G. OTHER USERS

These individuals and institutions represent all non-sport and non-commercial users of salmon. The inclusion of these institutions, individuals and loosely knit segments of Alaska expands the traditional concept of "user" in order to encompass those who, through their actions, impact salmon without in some cases, having consumption of the salmon as their primary concern. These users include subsistence users, wildlife observers, conservationists and preservationists, other fisherman to whom salmon are an incidental catch, users of salmon habitat which may conflict with salmon propagation, supporters of enhancement of salmon predators and competitors, and the Alaska taxpayer in general.

Task 1: Search for Goals

This task required a review of the goals for the various institutions involved in the Alaska Salmon Resource Development Program (ASRDP). The primary thrust of our analysis was to set overall goals for the ASRDP. However since no coordinated and consolidated ASRDP organization exists, the only goals found were those developed individually by each institution. The following findings, conclusions and recommendations have been drawn from our analysis of the goals for all primary institutions.

Findings:

- There is no single Alaska Salmon Resource Development Program which has identifiable goals, and strategies for attainment of goals, organizational structure, or operations.
- No organization had as its goal the development of an Alaska Salmon Resource Development Program involving all institutions as defined by the institutional framework described here.
- The lack of a coordinated and comprehensive planning effort involving all institutions suggests that the cumulative goals of all institutions are neither consistent nor complete with respect to the demands of managing Alaska's salmon resource for all users.
- Only goals for individual institutions which might be part of an ASRDP, if such a program existed, were found.

- Whereas some individual goals might suggest conflict or mutual exclusivity between institutions, these cases were the exception rather than the rule.
- The goals of the Alaska Department of Fish and Game, while addressing Alaska's salmon resource management and production, do not encompass the interests of all institutions noted in the Institutional Analysis.

Conclusions:

- Since the ASRDP lacks clear definition and organization, it therefore does not have mechanisms to develop complete and consistent goals and strategies representative of all institutions.
- Goals setting for individual ASRDP related institutions is fairly well established and could be coordinated into an Alaska Salmon Resource Development Program if proper mechanisms were developed. developed.
- Current legislative funding and planning mandates show promise in developing limited ASRDP goals for various regions and restricted numbers and types of institutions though fall short of meeting the full needs of an ASRDP.
- There is a definite requirement for both initiative and formal mechanisms to develop the concept and organization for the ASRDP capable of taking specific steps to develop goals, strategies, and coordinating agreements with all existing institutions.
- There is a general trend towards regionalization and decentralization in both aquaculture and allocation decision making which has a tendency to complicate a coordination effort though certainly would not preclude such coordination.

Recommendations:

- There is a strong need to concentrate on the development of goals for Alaska's salmon fishery covering the next five to ten salmon life cycles (depending on species) and to develop strategies for both the public and private sector roles in achieving these goals. Attention should be placed

G. OTHER USERS

These individuals and institutions represent all non-sport and non-commercial users of salmon. The inclusion of these institutions, individuals and loosely knit segments of Alaska expands the traditional concept of "user" in order to encompass those who, through their actions, impact salmon without in some cases, having consumption of the salmon as their primary concern. These users include subsistence users, wildlife observers, conservationists and preservationists, other fisherman to whom salmon are an incidental catch, users of salmon habitat which may conflict with salmon propagation, supporters of enhancement of salmon predators and competitors, and the Alaska taxpayer in general.

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upon the development of the assumptions utilized in selecting and implementing these strategies and upon the monitoring of all ASRDP institutions in order to insure the continuing reasonableness of assumptions or to alter strategies as required.

- The Legislature should develop a task force or a commission with powers to spend monies for the planning and coordination of the ASRDP similar in structure to the Governors Commission on the Handicapped and Gifted.
- The task force or commission should have a staff mandated to coordinate with all public and private sector institutions involved in the ASRDP in order to produce consensus ASRDP goals and strategies similar to the role currently played by Alaska's bottom fish coordinator.
- The task force or commission should annually make recommendations to the BRC and Legislature pertaining to the goals, objectives, and program requests of all state institutions within the ASRDP.
- The existing ADF&G/PNP regional planning efforts should coordinate with, if not become part of the effort to formulate ASRDP goals and strategies under the funding and guidance of the task force and commission.

Task 2: Institutional and Policy Analysis

The following analysis and recommendations derive directly from a review of the institution data presented later in this report. The analysis has been directed mainly at the institutions and their characteristics and does not specifically analyze the effectiveness or quality of the operations of each institution. The thrust of the recommendations has been to recognize the strengths and weaknesses of the current institutional framework and suggest alterations to the framework consistent with a stronger more effective Alaska Salmon Resource Development Program. Much additional work would be required to translate these recommendations into specific changes. These specific changes, not dealt with in this review, would have to meet the test of practicality and cost effectiveness not analyzed here.

General

Findings:

- There are a large number of stable primary institutions in the ASRDP, (described in our institutional data section), and many new and evolving institutions particularly in the rural areas, (described in our final Other Institutions section)
- Recent trends are for a greater regionalization and fragmentation of the institutions into smaller and smaller interest groups, particularly as indicated by the interest shown by village corporations, special interest groups, and local user organizations as noted in our final section.
- Most institutions can be readily identified as either support, rehabilitation, or other institutional categories with very few overlapping (some possible exceptions with state programs.)
- Public sector funding is predominately by the state through numerous budget request units (BRU's) which have no unified review or acknowledgement as an Alaska Salmon Resource Development Program.
- Runs have been increasing significantly in the last ten years, slackening the initiative of certain resource users in the areas of rehabilitation and enhancement.
- Activities of the regulation and allocation institutions have been dramatically and primarily responsible for both increasing runs and providing some stability in the harvesting and processing industries indicating an effective role in ASRDP for these institutions.
- Recent complications posed by the permitting and funding for aquaculture facilities does not appear to have stymied the growth of runs though frustration of aquaculture facility producers has resulted.
- Some segments of the salmon industry are marginally represented as institutions in the

ASRDP, such as processive, sport user, subsistence users, local economic development organization, local governments, village corporations, and other non-state funded operations.

Conclusions:

- Newly evolving user groups and institutions should tend to increase in number and impact in the future with the maturing of native corporations and the public attitudes towards renewable resource investment thus expanding the complexities of coordinating ASRDP programs and institutions.
- Immediately concentrating on the formation of an ASRDP organization may meet the growing complexities early enough to reduce the anticipated complexities of planning and coordination.
- A state effort to coordinate their programs through the budget review process (BRC) would dramatically serve to improve coordination.

Recommendations:

- The ASRDP should be given structure and substance through a stable organization and a clearly defined mission for the organization. The organization will require state funding of staff and the mission should include goal and strategy formulation and program monitoring.
- The state should develop a structured organization with central policy and planning functions, as either an independent task force or commission, capable of developing goals and strategies and representing the consensus of all institutions in the ASRDP.
- The ASRDP should encompass all institutions as noted in this analysis.
- The state should encourage the participation of processing and marketing industry segments, not now adequately represented in the ASRDP.
- The ASRDP organization should implement its goals and strategies through their review of proposed state and federal programs and their comments and recommendations to the state BRC and the federal government through the A-95 process.

Support Institutions

Findings:

- These institutions are predominantly involved in policy development, habitat land use planning, economic development and biological and economic research. (See institutional data section for descriptions)
- These programs lack the consistency required in their planning and goals to support a coordinated ASRDP strategy.
- The support provided by these institutions to the salmon fishery often comes as a secondary consequence of programs focused in other areas, eg. habitate protection during oil line construction considers the preservation of anadromous streams as well as many other environmental concerns.
- Funding levels are generally insufficient to meet most estimates by the institutions of the tasks required to achieve existing goals.
- All support institutions are public sector funded.

Conclusions:

- The yet to be organized ASRDP will have to specifically and immediately investigate the support requirements of the ASRDP institutions in order to insure the proper prioritization of these efforts.
- A definitive strategy for the role of support institutions in the ASRDP is required.
- Dramatic improvements in the data and analytic understanding of the salmon resource would greatly serve to increase credibility of the ASRDP if not also be a prerequisite for its goal and strategy development responsibilities.

Recommendations:

- The recommended ASRDP organization should, at the strategic level, address the role of support institutions as a highest priority.
- The public sector should continue to take a lead and increase efforts in the funding and central coordination of biological and economic research on anadromous specifics.

Rehabilitation and Enhancement Institutions

Findings:

- Both the public and private sectors are involved as evidenced by operating hatcheries funded by both the state and the private non-profit associations.
- Private sector institutions exist. However, long-term viability is currently in question due to constitutional restrictions of financing mechanisms.
- Non-commercial users of the fishery are marginally represented within existing rehabilitation institutions.
- Current financial mechanisms (limited now to direct legislative appropriations and voluntary contributions) greatly limit growth rate of these institutions.
- Current financing for facilities and programs is not tied to production success and only through the state's loan program are the probabilities of success systematically considered for financing.
- There is a distinct lack of financial mechanisms allowing user payment for resource expansion.

Conclusions:

- Both clear state policy and authorized financial mechanisms are a primary requirement for continued private sector growth in salmon aquaculture.
- Future state action is critical to the solution of the regional non-profit problem and will require the authorization of new funding mechanisms.
- There is a rationale and demand for rehabilitation and enhancement facilities serving the needs of non-commercial users.

Recommendations:

- The ASRDP, as recommended, should immediately develop and recommend legislation that creates financing mechanisms which insure stable funding for private sector rehabilitation facilities.

- Maintain strong state support of public sector rehabilitation facilities until private sector financing mechanisms for aquaculture are in place and proven sufficient.
- The ASRDP, as recommended, should consider financing mechanisms for non-commercial user "investments" in aquaculture facilities which might include a dedicated tax on sport fish gear, and so forth.

Permitting Institutions

Findings:

- Permitting Institutions are organized around the demands of those requesting permits. (eg. gasline developers, forestors, coast line developers, etc.)
- Current funding levels for these institutions limit the speed and detail with which permit applications can be processed.
- The Department of Environmental Conservation has been charged with and funded for, the simplification and coordination of permitting, though not specifically for potential ASRDP goals.
- Permitting has been effective though conservative, since habitat degradation has been curtailed sometimes at the expense of proposed hatchery projects.
- Permitting contributes a major cost to the start-up of aquaculture facilities.

Conclusions:

- A credible ASRDP would aid permitting institutions and reduce need for conservative positions similar to the effect Coastal Zone Management Planning has had on coastal development proposals.
- Increased funding for the permitting institutions would reduce long delays experienced in obtaining necessary permits, thus reducing complications to aquaculture facility developers.
- Improved permitting would reduce the start-up costs of aquaculture facilities.

Recommendations:

- Permitting institutions should be involved in the formulating of ASRDP goals and strategies.
- A new mechanism should be developed whereby approval of the ASRDP goals and strategies by permitting institutions will reduce the number and detail of permit requirements on aquaculture facility developers when operating in conformance to the ASRDP.
- Increase funding to, and/or consolidate those permitting institutions primarily effecting aquaculture resource development, only after the financing mechanisms are in place and development proposals expected.

Regulation and Allocation Institutions

Findings:

- Appointed boards focus on allocation decisions and, by design, are responsive to socio-economic arguments of resource users.
- The state is responsible for in-season regulatory decisions, although data for decision making is limited.
- Current regulation and allocation institutions are centralized though constant lobbying has addressed decentralization and regionalization.
- The decisions of these institutions have been highly successful in increasing run-size in the last 10 years.

Conclusions:

- Current institutional arrangement has been effective.
- Decentralization will make the implementation of ASRDP goals and strategies more complicated, costly, and perhaps less effective.
- Clear authorities and centralized decision making have been key to the success of these institutions.

Recommendations:

- Maintain current centralized institutional structure.
- Greatly increase data availability for decision making through increased support of support institution activities.

Commercial Users

Findings:

- Most commercial user institutions represent harvest interests oriented around gear-type and harvest region.
- Native corporations and municipalities have an increasing interest in the salmon resource for economic development.
- Consideration of and involvement by processors, wholesalers, marketers and consumer segments of the industry in the current planning and management of the salmon resource is scarce.
- Commercial users are organized for lobbying, regional planning, and aquaculture development.
- There are no institutions coordinating harvesters with processors with marketers yielding an overall economic development plan for the resource.

Conclusions:

- Users tend to organize themselves around their interest in small segments of the industry.
- Aquaculture development as a means of economic development has not been specifically addressed by all commercial users of the resource.
- Expansion of the resource does not necessarily ensure economic development for all segments of the salmon industry since many of these segments compete with varying degrees of success.
- Harvesters, the prime private sector supporter of aquaculture at this time, often favor near-term investment decisions while aquaculture investments require a long-term venture capital attitude.

Recommendations:

- Strategy development by the ASRDP must include plans for economic development in all commercial industry sectors, not just harvesters.
- Private sector financing mechanisms for aquaculture, when developed, should be equally available to non-harvester users and reflect the different investment requirements of each. (e.g., harvesters want more fish, processors want cheaper fish, etc.)
- Commercial use of the rehabilitated fishery should be tied securely as possible to individual aquaculture development investments in order to clarify financial return evaluations and ensure long-term financial viability of aquaculture investments.

Sport Users

Findings:

- Sport users are not well represented in the regulation/allocation process except in urban areas where sport fishing rights are strongly debated. (Example: Cook Inlet).
- The state acts often as a proxy for sport users. (Example: Sport Fish Division of Alaska Department of Fish and Game).
- The value of the sport fishery has not been tapped as a mechanism for financing aquaculture facilities.

Conclusions:

- As population grows and portions of Alaska urbanize, sport institutions should evolve and provide pressure for representation in aquaculture development.
- Sport users would probably support rehabilitation and enhancement projects when competition for the resource with commercial interests increases.
- The value of the sport fishery to sport users could support aquaculture if adequate mechanisms were developed by the state.

Recommendations:

- The ASRDP should specifically address the design of financing mechanisms sufficient to meet the projected demands of sport fishermen.
- The state should implement financing mechanisms involving sport users for aquaculture projects.

Other Users
Findings:

- Subsistence use is a primary allocation by the state for the salmon resource.
- Conservation and preservation groups may have interests in conflict with rehabilitation. However, it appears these institutions have not organized or coordinated against aquaculture development.
- There are a number of organizations (AFN, ANF, etc.) which support the rights and interests of subsistence users.
- While many of these groups can be identified as impacted by the salmon resource, to date, these impacts have not been debated issues and therefore have not played a major role in salmon resource management.

Conclusions:

- While allocations will continue to be made to these users, these users are not likely candidates for financial support of aquaculture since their involvement with the resource has few financial transactions thus limiting both the motivation and mechanisms for investment.
- Use of rehabilitated and enhanced runs by these users will continue to generate a cost that must be recognized in aquaculture development, though it probably could not be quantified for any particular facility.
- It may be justifiable for the state to provide financial support for aquaculture facilities and operations in order to offset the costs generated by these users to private aquaculture developers.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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Recommendations:

- The state should continue financial support of rehabilitation facilities justified as compensation to private sector aquaculture developers for losses to these users.
- These users should be considered in the ASRDP goal and strategy formulation.

I N S T I T U T I O N A L
D A T A

INSTITUTIONAL DATA

Introduction

The following pages detail the research effort documenting all state and local primary institutions in Alaska Salmon Resource Development Program. The institutional descriptions are accurate as of July 1979. Now that the State of Alaska is progressing through its FY81 planning cycle, some of these characteristics may no longer be applicable.

Methodology

The following methodology was employed in the collection and analysis of the institutional data.

1. A comprehensive list of institutions satisfying the criteria of a primary institution was developed by the study team.
2. The study team then developed a taxonomy and definition for characteristics to be noted for each of the institutions.
3. Published material, reports, budgets, and secondary sources were collected, organized and examined for information on institutional characteristics.
4. A representative of each institution was contacted on the phone to verify data and collect the institutions perceptions of problems.
5. The composite of all data were reviewed and discussed by the project team.
6. The data was reviewed in detail and a final report on findings, conclusions and recommendations was developed.

Data Format

The data is presented in sections for each of the institutional categories noted in the institutional analysis section. The level of detail and completeness of descriptions for each characteristic varies considerably from institution to institution depending upon the completeness and accuracy of the resource materials examined.

A. SUPPORT INSTITUTIONS

Support Institutions include those organizations involved in research, financing, policy development, and planning. These institutions predominately support the fisheries rehabilitation and enhancement efforts, the permitting activities of the public sector, and the regulation and allocation activities of the public sector.

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

INSTITUTION

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DATA

- State Department with two Divisions affecting Aquaculture, Economic Enterprises (AS 44.33.020) and Commercial Loans (AS 16.10.300-380)

Type:

- State Department funded by Legislature
- Division of Commerce and Economic Development

Size:

- Economic Enterprises has one employee assigned to anadromous fish projects

Structure:

- Reports to Commissioner, Commerce and Economic Development

Geographic Location:

- Statewide responsibilities
- Headquartered in Juneau

Goals:

Economic Enterprises Development:

- Develop and diversify Alaskan economic base
- Research, plan, promote, implement assistance to improve well being of State
- Provide Alaskans maximum opportunity to participate in State economy

Commercial Loans

- Promote rehabilitation of the State's fisheries primarily resident
- Maintenance of commercial fishing gear and vessels

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

DATA (Dept. of Commerce & Economic Dev. - Cont.)

Objectives:

Economic Enterprise:

- Increased processing capacity
- New hatcheries
- Expanded seafood market

Commercial Loans:

- Private investment in aquaculture programs through the Regional Aquaculture Associations

Programs:

Commercial Loans:

- Loan up to \$150,000 per application to commercial fishermen for repairs, restoration and upgrading of harvest gear and vessels
- Loan up to \$3,000,000 per application to Regional Aquaculture Associations, for salmon hatchery construction and operation
- Loans are low-interest and long-term

Economic Enterprise:

- Has the potential to affect salmon aquaculture but is currently funded to concentrate its program in bottom fish

Accomplishments:

Commercial Loan:

- Assisted in development of Regional Aquaculture Association
- LOANED \$2.4 mm to Southern Southeast Regional Aquaculture Association
- LOANED \$1.9 mm to Prince William Sound Regional Aquaculture
- LOANED \$175,000 to a Wrangell based project

Economic Role:

- Medium of State support for private aquaculture projects

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

DATA (Dept. of Commerce & Economic Dev. - Cont.)

Problems:

- Funding has not been renewed to allow further business loans

Opportunities

- Method of State support of private investment in Aquaculture

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

INSTITUTION

COMMISSIONER OF FISH AND GAME

DATA

- Principal executive officer of the Department of Fish and Game
- Shall supervise and control the department and employ personnel (AS 16.05.020)
- Shall manage, protect, maintain, improve, and extend the fish, game and aquatic plant resources of the State in the interest of the economy and general well being of the State (AS 16.05.050)
- May assist USF and WS
- May design and construct projects beneficial for the fish and game resources of the State (AS 16.05.050)
- May capture, propagate, transport, buy, sell, or exchange fish or game or eggs for propagating, scientific or stocking purposes (AS 16.05.050)
- May provide public facilities for taking of fish and game
- May exercise administrative budgeting and fiscal powers
- May issue emergency openings and closures (AS 16.05.0601)
- May authorize any person to enforce fish and game laws (AS 16.05.1501)

Goals:

- Organize and develop the department's human, financial, and technical assets to maintain, rehabilitate, and enhance the fish and wildlife resources of the State and to provide their sustained optimum use consistent with the long-term social, economic, cultural, and environmental needs of the public

Objectives:

- Provide management direction consistent with the Governor's policies

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

DATA (Commissioner of Fish and Game - Cont.)

Program:

- Provide primary management direction for the department
- Represent the department in various annual and special meetings concerning resources
- Represent the department on various boards and councils such as The Alaska Coastal Policy Council, North Pacific Fisheries Management Council, etc.

Type:

- Executive office of the State Department of Fish and Game

Size:

- 50 PFT requested for FY 80 for all three budget components
- 1 Temp requested for FY 80 for all three budget components

Structure:

- Three components
- Office of the Commissioner request \$329,000 for FY 80
- Public Communications Section request \$220,000 for FY 80
- Administrative Services request \$2,309,000 for FY 80

Geographical Location

- State-wide responsibilities
- Staff located in Juneau

Funds:

- \$359,000 federal receipts requested for FY 80
- \$2,423,000 General Fund requested for FY 80
- \$75,000 other funds requested for FY 80

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

DATA (Commissioner of Fish and Game - Cont.)

Primary Constituents:

- All users of fish and game resources of the State
- General public consuming commercial fish and game products.

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

INSTITUTION

ALASKA RENEWABLE RESOURCES CORPORATION

DATA

- A public corporation for the rehabilitation, enhancement, and development of the State's renewable resources (AS 37.12.010-015)
- Receipts consist of five per cent of total receipts paid the State from mineral lease bonuses and rentals and royalties
- Fifty per cent of receipts deposited into investment fund (AS 37.12.020)
- Fifty per cent of receipts deposited into development fund (AS 37.11.020)
- Unused balances at close of fiscal year transferred to investment fund (AS 37.11.040)
- Investment fund available only for prudent investments by treasury division (AS 37.11.090)
- Income from investments in investment fund to be used for capital and operating expenses for renewable resource programs (AS 37.11.070)
- Development fund provides funding for capital and operating expenditures for the rehabilitation, enhancement, and development of renewable resources (AS 37.11.030)
- Funding from development fund primarily equity and debt financing (House Finance Committee Report on CS HB 682)

Type:

- Legal existence independent of and separate from the State
- Public corporation
- Instrumentality of the State within the Department of Revenue

Size:

- 9 PFT for FY 80 includes Board of Trustees

Structure:

- Governing body is Board of Trustees
- Executive Director is responsible to Board and supervises staff

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

DATA (Alaska Renewable Resources Corporation - Cont.)

Geographic Location:

- Statewide responsibilities
- Headquartered in Juneau

Funds:

- \$860,000 request for FY 80 operating budget from Development Fund
- \$11,150,000 capital request for FY 80 for Investment Fund
- \$11,150,000 capital request for FY 80 for Development Fund

Primary Constituents:

- Development Fund primarily benefits private entrepreneurs
- Interest from Investment Fund primarily benefits general public and government agencies

Problems:

- New agency still in the process of hiring staff, assessing priorities, and developing criteria to evaluate proposals
- Not a lead agency -- must respond to requests

Goals:

- Rehabilitation, enhancement, and development of the State's renewable resources
- Identify, stimulate research and development of, and assist in the demonstration of feasibility of: new products, markets, and technologies for renewable resource industries in the State

Objectives:

- Maintain the productivity of healthy renewable resources
- Expand productivity of depleted or underutilized resources

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

DATA (Alaska Renewable Resources Corp. - Cont.)

Objectives: (cont.)

- Provide financial assistance for projects meeting goals above
- Promote in-state utilization of renewable resources
- Develop import substitution and export markets

Programs:

- Provide venture capital to meet goals and objectives
- Make equity (preferable) or debt investments in agriculture, fisheries, timber, and renewable energy up to 49% of stock (\$1.5 million maximum)
- Provide grants as appropriate to meet above goals
- Develop long-range plans

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

INSTITUTION

ALASKA PERMANENT FUND

DATA

- At least 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State, shall be placed in the Permanent Fund (Constitution of Alaska, Article IX, Section 15)
- Principal of the Permanent fund shall be used only for income producing investments specifically designated by law (Constitution, Article IX, Section 15)
- Income from the Permanent Fund shall be deposited in the General Fund unless otherwise provided by law (Constitution, Article IX, Section 15)
- Investments of the Permanent Fund restricted to notes and obligations of the United States, CD's, corporate securities, bankers' acceptance, repo's and deposits in federally insured savings and loans and credit unions (AS 37.10.065)

GOALS

- None specifically stated in the Constitution or Alaska Statutes

OBJECTIVES

- None specified by Constitution or Alaska Statutes

PROGRAMS

- Invest funds per AS 37.10.065

TYPE

- Responsibility for investment rests with the Commissioner of Revenue

SIZE

- No discrete agency or program identified as managing the fund

INSTITUTIONS INVOLVED IN THE SALMON FISHERY

DATA (Alaska Permanent Fund - Con't.)

STRUCTURE

- No discrete agency or program identified as managing the fund

GEOGRAPHICAL LOCATION

- Commissioner located in Juneau

FUNDS

- No budget identified for management of the fund

PRIMARY CONSTITUENTS

- All citizens of the State, both present and future

PROBLEMS

- Legislature has failed to establish an agency to manage and invest the Permanent Fund
- Current law intended as an interim measure
- Proposed laws regarding the Permanent Fund before the current legislature (1979) not likely to pass this year