

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672
1826 SCOMM 74: SEN. SPEC. COMM. ON DOMESTIC & INTL. FISH., 1991-92. 43

MEMORANDUM

State of Alaska

TO: Brad Pierce, Legislative Analyst
House Research Agency

DATE October 30, 1987

FILE NO:

TELEPHONE NO:

THRU:

SUBJECT: Information on PNP
Hatchery Expenses

FROM: David Massey, Loan Examiner 
Division of Investments
Department of Commerce & Economic
Development

The following chart shows the money borrowed from DCED for capital improvements and operational expenses, the amount each corporation cost recovered from the sale of surplus fish, and the amount of the enhancement contracts with the regional associations. These figures are supplied for each fiscal year from 1983 to 1987.

I would also like to point out that other revenue that we do not have specifics on may have been available for annual expenses. Examples of these other revenue sources would be: interest earned; grants from local, state or federal sources; local, state or federal contracts; voluntary assessments and private contributions.

Cook Inlet Aquaculture Association

	Capital Loans	Operations Loans	Enhancement Tax	Cost Recovery
FY 83	\$1,348,881.00	\$113,310.00	\$704,186.29	\$-0-
FY 84	-0-	-0-	765,524.00	-0-
FY 85	-0-	-0-	367,300.00	74.00
FY 86	-0-	-0-	521,923.00	-0-
FY 87	-0-	-0-	801,480.20	15,423.00

Southern Southeast Regional Aquaculture Association

	Capital Loans	Operations Loans	Enhancement Tax	Cost Recovery
FY 83	\$1,100,000.00	\$517,000.00	\$1,077,222.01	\$80,500.00
FY 84	900,000.00	889,342.00	1,105,142.00	56,000.00
FY 85	-0-	-0-	1,080,000.00	854,687.00
FY 86	-0-	-0-	1,317,097.00	547,034.00
FY 87	-0-	-0-	1,831,126.70	704,396.00

Alaska Aquaculture, Inc.

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$-0-	\$248,900.00	\$-0-
FY 84	390,000.00	127,270.00	-0-
FY 85	275,270.00	127,630.00	923.00
FY 86	49,735.00	235,650.00	3,369.34
FY 87	33,750.00	290,000.00	-0-

Myers Chuck, Inc.

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$-0-	\$-0-	\$-0-
FY 84	10,000.00	-0-	-0-
FY 85	-0-	-0-	-0-
FY 86	-0-	-0-	-0-
FY 87	-0-	-0-	-0-

Northern Southeast Regional Association

	Capital Loans	Operations Loans	Enhancement Tax	Cost Recovery
FY 83	\$-0-	\$260,000.00	\$902,272.52	\$-0-
FY 84	270,196.00	-0-	471,363.00	250.00
FY 85	1,500,000.00	224,715.00	650,000.00	72,090.00
FY 86	-0-	288,989.00	897,536.47	17,304.44
FY 87	-0-	-0-	1,188,150.93	122,384.30

Armstrong-Keta, Inc.

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$-0-	\$200,000.00	-0-
FY 84	-0-	30,000.00	-0-
FY 85	603,100.00	393,000.00	-0-
FY 86	75,000.00	252,500.00	15,000.00
FY 87	-0-	315,000.00	5,364.00

Burro Creek Farms, Inc.

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$-0-	\$-0-	\$-0-
FY 84	-0-	-0-	-0-
FY 85	-0-	-0-	4,332.00
FY 86	-0-	-0-	1,745.00
FY 87	-0-	-0-	880.00

Douglas Island Pink and Chum

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$125,000.00	\$239,500.00	\$5,126.62
FY 84	92,000.00	235,000.00	12,300.00
FY 85	-0-	66,500.00	200,000.00
FY 86	275,000.00	338,000.00	152,830.00
FY 87	-0-	363,500.00	6,724.57

Kake Nonprofit Fisheries Development Corporation

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$-0-	\$184,000.00	\$-0-
FY 84	-0-	-0-	-0-
FY 85	-0-	66,780.00	-0-
FY 86	196,187.00	195,383.00	-0-
FY 87	188,000.00	272,863.00	-0-

Sheldon Jackson College

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$-0-	\$-0-	\$40,000.00
FY 84	-0-	-0-	54,500.00
FY 85	-0-	-0-	120,077.00
FY 86	185,000.00	-0-	98,582.84
FY 87	-0-	-0-	18,800.15

Tlingit-Haida Fisheries Development Corporation

	Capital Loans	Operations Loans	Cost Recovery
FY 83	\$-0-	\$-0-	\$-0-
FY 84	-0-	-0-	-0-
FY 85	-0-	-0-	-0-
FY 86	-0-	-0-	-0-
FY 87	-0-	-0-	-0-

Prince William Sound Aquaculture Corporation

	Capital Loans	Operations Loans	Enhancement Tax	Cost Recovery
FY 83	\$-0-	\$-0-	\$-0-	\$1,084,806.59
FY 84	1,217,039.00	-0-	-0-	477,668.00
FY 85	9,080,000.00	585,500.00	-0-	416,604.00
FY 86	1,786,000.00	-0-	450,000.00	911,673.05
FY 87	300,000.00	-0-	853,542.17	938,370.43

Valdez Fisheries Development Corporation

	Capital Loans	Operations Loans	Cost Recovery
FY 83	1,950,000.00	\$371,000.00	\$-0-
FY 84	-0-	432,000.00	85,000.00
FY 85	506,300.00	511,879.00	9,613.00
FY 86	-0-	380,000.00	157,717.31
FY 87	105,000.00	668,664.00	54,712.00

GW/cw6557c
103087a

TITLE: Fisheries Enhancement Loan Program		LOCATION: Statewide		AGENCY PRIORITY: 1 of 3	NAME AND PHONE OF AGENCY CONTACT: Connie S. Green - 465-2510	
PROGRAM FUNDING	FY 87	FY 88	FY 89	GOVERNOR	OTHER FINANCIAL INFORMATION (INCLUDING FY 88)	TOTAL
TOTAL ANNUAL LOAN DEMAND	2,907.0	5,213.4	17,542.0		TOTAL APPROPRIATIONS /reapprop.	50,477.6
TOTAL APPROPRIATIONS AND REQUEST	[141.4]	1,952.9	16,591.9		TOTAL INTEREST RETAINED	
1002 FEDERAL RECEIPTS					TOTAL OTHER RETAINED EARNINGS	[4,695.9]*
1004 GENERAL FUNDS	-0-	2,200.0	16,839.0		TOTAL BONDS ISSUED	N/A
1066 GENERAL OBLIGATION BONDS					BONDS AUTHORIZED BUT NOT ISSUED	N/A
OTHERxx Operating	[141.4]	[247.1]	[247.1]		TOTAL PROGRAM FUNDING	45,781.7
TOTAL OTHER PROGRAM FUNDING	5,244.5	3,260.5	950.1		WHAT ARE THE TOTAL ADMINISTRATIVE COSTS FOR OPERATING THE LOAN PROGRAM FOR FY 88? \$247.1	
ESTIMATED CARRY FORWARD BALANCE	4,678.5	2,196.1	-0-		WHAT AMOUNT OF TOTAL ADMINISTRATIVE COSTS ARE OBTAINED FROM LOAN INTEREST, PRINCIPAL OR FEES? \$247.1	
INTEREST RETAINED	3.3	779.8	696.1			
OTHER RETAINED EARNINGS	17.5	24.6	22.0			
PRINCIPAL REPAY	545.2	260.0	232.0			

DESCRIBE THE PROGRAM AND EXPLAIN IMPACTS ON THE PROGRAM OF RECEIVING IN FY 89 75% OF FY 89 REQUESTED GENERAL FUNDS AND 50% OF FY 89 REQUESTED GENERAL FUNDS:

AS 16.10.500-620 authorizes loans for hatchery planning, construction and operation and for enhancement and rehabilitation activities. The maximum loan is \$10,000.0 per loan for a qualified regional aquaculture association and \$1,000.0 per loan for a local nonprofit corporation as approved by the regional aquaculture association. The maximum loan maturity is 30 years, and the interest rate is 9-1/2%. Interest does not accrue during the initial period of the loan, which is a period of time of not less than six years nor more than ten years from the date the loan is made. In addition, repayment of principal and interest does not begin until after this initial period. Payments are generally made on an annual basis. The average term is 25 years.

The division evaluates and processes applications for new loans and provides accounting and collection services. Services include payment collection, credit reporting, loan accounting, delinquent loan collection, examination and processing of applications for payment extensions, foreclosure and bankruptcy management, repossessed property management and resale and remittance to investors.

*Negative number due to reappropriations.

L1 LOAN PROGRAM DESCRIPTION

AGENCY Division of Investments
Commerce and Economic Development

TITLE Fisheries Enhancement Loan Program

FY 89

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Revised Date: _____

Loan Demand

In addition to the projects listed, the division recommends a \$1 million contingency fund. It is anticipated that some hatcheries may experience shortfalls in funds due to inadequate fish returns, natural disasters, hatchery or fisheries management problems, or other contingencies. This request is consistent with past requests based upon actual experience. A contingency fund assures the viability of the existing hatchery operations.

SUMMARY OF PROJECTS TO BE FUNDED:

	<u>Existing Projects</u>	<u>New Projects</u>	<u>Total</u>
Capital Improvement Loans	\$7,642.0	\$ 4,300.0	
Operating Loans	2,180.0	2,420.0	
	<u>\$9,822.0</u>	<u>\$ 6,720.0</u>	\$16,542.0
Other (Contingency) Loan Demand			1,000.0
			<u>\$17,542.0</u>

25% Reduction: A 25% reduction in FY 89 requested funds will result in a \$4.4 million reduction in funding for "new project" hatchery loans.

50% Reduction: A 50% reduction in FY 89 requested funds will result in a \$8.8 million reduction in funding for "new project" hatchery loans.

NOTE: The loan demand for FY 89 was determined by soliciting the anticipated needs from the 15 private nonprofit permit holders and the seven regional associations. These needs have not been evaluated by this division as appropriate loan request documents are not filed until the loan is actually requested.

Sec. 26, Ch. 95, SLA 1987 appropriated \$247.0 to the operating budget for administration of the program.

Sec. 15, Ch. 95, SLA 1987 appropriated \$1.2 million from the general fund to the Fisheries Enhancement Revolving Loan Program.

Sec. 157, Ch. 3, FSSLA 1987 appropriated \$1.0 million from the general fund to the Fisheries Enhancement Revolving Loan Fund for the Gastineau Hatchery.

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**ADDITIONAL
EXPLANATION
FORM**

AGENCY Commerce and Economic Development
BRU Investments
COMPONENT Fisheries Enhancement Loan Program

FY 89

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Revised Date: _____

FY 89 PROJECTED LOAN DEMAND

	Existing Projects		New Projects		Total
	Capital	Operating	Capital	Operating	
1. Alaska Aquaculture Foundation, Inc.	\$ 216.0	\$ 450.0	\$ 800.0	\$ 250.0	\$ 1,716.0
2. Armstrong-Keta, Inc.	0	285.0	200.0	0	485.0
3. Burro Creek Farms	0	0	0	0	0
4. Cook Inlet Aquaculture Assn.	500.0	0	0	400.0*	900.0
5. Douglas Island Pink and Chum	4,500.0	0	0	0	4,500.0
6. Kake Nonprofit Fisheries Development Corp.	326.0	445.0	0	0	771.0
7. Northern S.E. Regional Aquaculture Assn.	100.0	400.0	0	650.0*	1,150.0
8. Prince William Sound Aquaculture Assn.	500.0	0	500.0*	600.0*	1,600.0
9. Sheldon Jackson College Aquaculture Program	1,000.0	0	0	0	1,000.0
10. Southern S.E. Regional Aquaculture Assn.	0	600.0	500.0	0	1,100.0
11. Tlingit and Haida Fisheries Development Corp.	0	0	0	0	0
12. Valdez Fisheries Development Association	500.0	0	0	0	500.0
13. Kodiak Regional Aquaculture Association	0	0	175.0*	50.0*	225.0
14. Meyers Chuck Aquaculture Association, Inc.	0	0	75.0	75.0	150.0
15. Angoon Aquaculture Association, Inc.	0	0	1,500.0	0	1,500.0
16. Aquaculture, Inc.	0	0	450.0	95.0	545.0
17. Grofish, Inc.	0	0	100.0	50.0	150.0
18. Imarpik	0	0	0	250.0	250.0
19. Lower Yukon/Kuskokwim Regional Aquaculture Assn.	0	0	0	0	0
20. Nerka, Inc.	0	0	0	0	0
	<u>\$7,642.0</u>	<u>\$2,180.0</u>	<u>\$4,300.0</u>	<u>\$2,420.0</u>	<u>\$16,542.0</u>
Contingency					1,000.0
TOTAL					\$17,542.0

* These amounts are for proposed transfer of FRED hatcheries to these respective organizations.

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**ADDITIONAL
EXPLANATION
FORM**

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT Fisheries Enhancement Loan Program

FY 89

Page 3 of 3

Revised Date: _____

ATTACHMENT B
FY 83 - FY 87 Estimated DEC Staff Days
Spent on Permits and Inspections of
PNP Hatcheries

MEMORANDUM

State of Alaska

TO: Brad Pierce
Legislative Analyst
House Research Agency

DATE: October 5, 1987

FILE NO:

TELEPHONE NO: 465-2653

THRU:

SUBJECT: DEC Expenditures for
PNP Hatcheries

FROM: Larry Dietrick
Director
Environmental Quality

The information you requested on the time spent by Department of Environmental Conservation staff in support of Private Nonprofit (PNP) hatcheries over the past five years (FY 83-87) is summarized below. Estimates are provided for permitting and inspections over this period for both our Southeastern and Southcentral Regional offices.

<u>Region/Permit #</u>	<u># PNP's addressed in area</u>	<u>Days Spent on Permits</u>	<u>Days Spent on Inspections</u>
Southeast	11	10	10
George Inlet 23 (SSRAA)			
Gastineau Channel 327 (Douglas Island/Macaulay)			
Ernest Sound 17 (Meyer)			
Sumner Strait 84 (ADF&G)			
Port Snettisham 2 (ADF&G)			
Tamgas Harbor 5 (BIA)			
Gastineau Channel 397 Douglas Island/Macaulay)			
Indian River 5 (Sheldon Jackson)			
Indian River 3 (Sheldon Jackson)			
T & H (Baranof) No record found			
NSRAA (Twin Lakes) No record found			
Southcentral		50	30
Cook Inlet	1		
Prince William Sound	3		

I hope this provides you with sufficient information. Please feel free to contact Mr. Stokes or Ms. Howe directly if we can be of further assistance.

cc: Dick Stokes
Julie Howe

ATTACHMENT C
FY 83 - FY 87 ADF&G-FRED Division Expenditures
on the PNP Hatchery System and Subsidy Report
on the Enhancement Loan Fund

MEMORANDUM

State of Alaska

TO: Brad Pierce
Legislative Analyst
House Research Agency
THRU: Jerry L. Madden
Salmon Rehabilitation and
Enhancement Coordinator
FROM: Kevin C. Duffy
Planner - PNP Program
FRED Division

DATE: November 30, 1987

FILE NO:

TELEPHONE NO: 465-4160

SUBJECT: Expenditures Related to
the Private Nonprofit
Hatchery Program

This memo is in response to your request to Jerry Madden regarding Alaska Department of Fish and Game (ADF&G) expenditures related to the Private Nonprofit (PNP) Hatchery operators in the State of Alaska for fiscal years 1983-1987. The information is provided in the following manner:

- A. PNP Program budgets within the FRED Division, FY 83-FY 87;
- B. Reimbursable Services Agreements to the PNP Program for Regional Planning Team activities, FY 83 - FY 87;
- C. Pathology, Limnology, and Tag Lab expenditures, FY 83-FY 87, based on estimates of time spent on activities directly related to PNP sector programs; and
- D. Grants/contracts from ADF&G to Regional Aquaculture Associations, FY 80 - FY 87.

If you have additional questions, contact us at your convenience.

Enclosure

cc: B. Burkett

D. Grants/Contracts from ADF&G to Regional Aquaculture Associations, 1980 - 1987. Information is provided by: association; contract subject; fiscal year; and amount.

1. Southern Southeast Regional Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Regional Comprehensive Salmon Planning	80	100,000.00
Lake Fertilization	80	49,000.00
Regional Comprehensive Salmon Planning	81	50,000.00
Regional Comprehensive Salmon Planning	82	50,000.00
Cooperative agreement on salmon egg take	82	22,000.00
Chinook Rehabilitation Research	82	70,000.00
Lake Fertilization	82	229,000.00
Regional Comprehensive Salmon Planning	83	50,000.00
Lake Fertilization	84	224,000.00
Regional Comprehensive Salmon Planning	84	25,000.00
Regional Comprehensive Salmon Planning	85	24,119.00
Lake Fertilization	85	200,000.00
Hatchery Siting	85	17,000.00
Chinook Salmon Enhancement	86	66,000.00
Regional Comprehensive Salmon Planning	86	<u>20,000.00</u>
TOTAL		1,196,119.00

2. Northern Southeast Regional Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Regional Comprehensive Salmon Planning	80	100,000.00
Regional Comprehensive Salmon Planning	81	50,000.00
Regional Comprehensive Salmon Planning	82	50,000.00
Chinook/Coho Salmon Lake Rearing	82	216,000.00
Remote Chum Broodstock	82	58,000.00
Regional Comprehensive Salmon Planning	83	49,920.00
Regional Comprehensive Salmon Planning	84	25,000.00
Chinook/Coho Lake Stocking	84	27,972.00
Regional Comprehensive Salmon Planning	85	25,000.00
Chinook Salmon Lake Stocking	85	50,000.00
Regional Comprehensive Salmon Planning	86	20,000.00
Chinook Salmon Lake Stocking	86	<u>23,000.00</u>
TOTAL		694,892.00

MEMORANDUM

State of Alaska

TO: Brad Pierce
Legislative Analyst
House Research Agency
THRU: Jerry L. Madden
Salmon Rehabilitation and
Enhancement Coordinator
FROM: Kevin C. Duffy
Planner - PNP Program
FRED Division

DATE November 30, 1987

FILE NO:

TELEPHONE NO: 465-4160

SUBJECT: Expenditures Related to
the Private Nonprofit
Hatchery Program

This memo is in response to your request to Jerry Madden regarding Alaska Department of Fish and Game (ADF&G) expenditures related to the Private Nonprofit (PNP) Hatchery operators in the State of Alaska for fiscal years 1983-1987. The information is provided in the following manner:

- A. PNP Program budgets within the FRED Division, FY 83-FY 87;
- B. Reimbursable Services Agreements to the PNP Program for Regional Planning Team activities, FY 83 - FY 87;
- C. Pathology, Limnology, and Tag Lab expenditures, FY 83-FY 87, based on estimates of time spent on activities directly related to PNP sector programs; and
- D. Grants/contracts from ADF&G to Regional Aquaculture Associations, FY 80 - FY 87.

If you have additional questions, contact us at your convenience.

Enclosure

cc: B. Burkett

**Private Nonprofit Hatchery Program Budgets
FRED Division FY 83 - FY 87**

A.

<u>Line Item</u>	<u>FY83 Actual</u>	<u>FY84 Actual</u>	<u>FY85 Actual</u>
Personnel Service	143.5	154.9	207.6
Travel	39.3	23.2	21.8
Contractual	2.1	3.0	4.7
Supplies	0	.1	.2
Equipment	1.2	.5	1.7
Total	186.1	181.7	236.0

<u>Line Item</u>	<u>FY86 Actual</u>	<u>FY87 Actual*</u>
Personnel Service	207.5	185.2
Travel	21.8	14.0
Contractual	4.7	3.4
Supplies	.2	.2
Equipment	1.7	0
Total	235.9	202.8

* An additional \$11.7 was charged to the supplies line item in FY 87 for egg sales. However, when ADF&G was reimbursed, the net effect was zero.

B. Reimbursable Services Agreements from Commissioner's Office for Regional Planning Team (RPT) travel, RPT planning activities.

<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
90.0	42.4	55.0	55.5	0

C. Pathology, Limnology, Tag Lab Expenditures related to PNP operators - FY 83-FY 87.

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Pathology	183.0	192.3	240.8	234.1	236.3
Limnology	150.0	150.0	150.0	125.0	0
Tag Lab	36.9	52.9	77.5	145.9	134.2

D. Grants/Contracts from ADF&G to Regional Aquaculture Associations, 1980 - 1987. Information is provided by: association; contract subject; fiscal year; and amount.

1. Southern Southeast Regional Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Regional Comprehensive Salmon Planning	80	100,000.00
Lake Fertilization	80	49,000.00
Regional Comprehensive Salmon Planning	81	50,000.00
Regional Comprehensive Salmon Planning	82	50,000.00
Cooperative agreement on salmon egg take	82	22,000.00
Chinook Rehabilitation Research	82	70,000.00
Lake Fertilization	82	229,000.00
Regional Comprehensive Salmon Planning	83	50,000.00
Lake Fertilization	84	224,000.00
Regional Comprehensive Salmon Planning	84	25,000.00
Regional Comprehensive Salmon Planning	85	24,119.00
Lake Fertilization	85	200,000.00
Hatchery Siting	85	17,000.00
Chinook Salmon Enhancement	86	66,000.00
Regional Comprehensive Salmon Planning	86	20,000.00
TOTAL		1,196,119.00

2. Northern Southeast Regional Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Regional Comprehensive Salmon Planning	80	100,000.00
Regional Comprehensive Salmon Planning	81	50,000.00
Regional Comprehensive Salmon Planning	82	50,000.00
Chinook/Coho Salmon Lake Rearing	82	216,000.00
Remote Chum Broodstock	82	58,000.00
Regional Comprehensive Salmon Planning	83	49,920.00
Regional Comprehensive Salmon Planning	84	25,000.00
Chinook/Coho Lake Stocking	84	27,972.00
Regional Comprehensive Salmon Planning	85	25,000.00
Chinook Salmon Lake Stocking	85	50,000.00
Regional Comprehensive Salmon Planning	86	20,000.00
Chinook Salmon Lake Stocking	86	23,000.00
TOTAL		694,892.00

3. Prince William Sound Aquaculture Corporation

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Fin Clipping project	80	7,000.00
Regional Comprehensive Salmon Planning	80	100,000.00
Lake Fertilization	81	62,000.00
Comprehensive Salmon Plan, Phase I & II	81	50,000.00
Comprehensive Salmon Plan, Phase I & II	82	50,000.00
Lake Enrichment	82	125,000.00
Lake Fertilization	83	137,000.00
Regional Comprehensive Salmon Planning	83	50,000.00
Regional Comprehensive Salmon Planning	84	35,000.00
Lake Fertilization	84	155,000.00
Lake Fertilization	85	140,500.00
Lake Fertilization	86	155,000.00
Regional Comprehensive Salmon Planning	86	<u>22,000.00</u>
TOTAL		1,088,500.00

4. Cook Inlet Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Regional Comprehensive Salmon Planning	80	100,000.00
Engineering Study	80	50,000.00
Regional Comprehensive Salmon Planning	81	50,000.00
Regional Comprehensive Salmon Planning	82	50,000.00
Regional Comprehensive Salmon Planning	83	54,745.47
Regional Comprehensive Salmon Planning	84	47,000.00
Smolt Enumeration & Fry Outmigration Study	84	57,219.00
Lake Fertilization	85	88,500.00
Regional Comprehensive Salmon Planning/ Recreational Planning	85	59,774.00
Regional Comprehensive Salmon Planning Recreational Planning	86	48,000.00
Lake Fertilization	86	151,383.00
Lake Fertilization	87	<u>108,800.00</u>
TOTAL		865,421.47

5. Lower Yukon/Kuskokwim Regional Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Hatchery Facility Development	80	67,500.00
Grant for Regional Comprehensive Salmon Planning	80	105,000.00
Regional Comprehensive Salmon Planning	81	40,000.00
Regional Comprehensive Salmon Planning	82	50,000.00
Hatchery Siting	82	<u>45,600.00</u>
TOTAL		308,100.00

6. Imarpik Regional Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Regional Comprehensive Salmon Planning	82	100,000.00

7. Kodiak Regional Aquaculture Association

<u>Project</u>	<u>FY</u>	<u>\$ Amount</u>
Phase I Plan Development/Establish Assoc.*	82	100,000.00
Phase II Regional Comprehensive Salmon Plan*	84	18,520.00
Regional Comprehensive Salmon Planning	86	<u>20,000.00</u>
TOTAL		138,520.00

* Under an RFP process, ADF&G awarded two contracts to a consultant to help establish the association, write the Phase II Plan, and to establish a Phase II Plan detailed outline.

SUBSIDY REPORT

NAME	LOAN #	ORGPRINC	MARKINRT	INT RATE	PVSUB	LOANVAL	PERSUB
Alaska Aqua. Foundation	07-02	\$145,700.00	10	8.0	\$100,895.49	\$201,869.23	49.98
	07-08	\$102,600.00	11.5	9.5	\$70,312.44	\$142,153.62	49.46
	07-104	\$180,000.00	11.5	9.5	\$86,850.71	\$186,274.51	46.63
	07-113	\$55,650.00	12.5	10.5	\$29,091.95	\$56,643.75	51.36
	07-114	\$39,735.00	12.5	10.5	\$22,231.22	\$40,444.55	54.97
	07-118	\$10,000.00	11.5	9.5	\$5,309.23	\$10,178.57	52.16
	07-15	\$31,130.00	11.5	9.5	\$21,243.04	\$39,501.56	53.78
	07-20	\$113,125.00	11.5	9.5	\$77,731.04	\$143,546.86	54.15
	07-36	\$25,100.00	11.5	9.5	\$14,802.20	\$29,572.14	50.05
	07-46	\$63,700.00	11.5	9.5	\$37,770.46	\$70,999.22	53.20
	07-55	\$47,500.00	11.5	9.5	\$26,774.90	\$52,942.90	50.57
	07-61	\$117,700.00	11.5	9.5	\$72,097.30	\$131,186.94	54.96
	07-64	\$83,700.00	11.5	9.5	\$49,572.00	\$92,638.83	53.51
	07-71	\$127,270.00	11.5	9.5	\$75,034.55	\$140,861.94	53.27
	07-83	\$390,000.00	11.5	9.5	\$215,325.65	\$415,203.59	51.86
	07-93	\$121,630.00	11.5	9.5	\$70,394.46	\$129,490.29	54.36
	07-95	\$275,270.00	11.5	9.5	\$153,300.50	\$284,865.47	53.82
				SUBTOTAL	\$1,128,737.14	\$2,168,373.97	
Alaska Aqua. Fo							
Alaska Aqua., Inc.	07-121	\$290,000.00	11.5	9.5	\$138,844.28	\$295,178.57	47.84
	07-124	\$33,750.00	11.5	9.5	\$14,482.92	\$33,750.00	42.91
	07-135	\$65,933.00	11.5	9.5	\$34,079.23	\$65,933.00	51.69
	07-140	\$335,000.00	11.5	9.5	\$172,136.89	\$335,000.00	51.38
				SUBTOTAL	\$359,543.33	\$729,861.57	
Alaska Aqua., I							
Armstrong-Keta, Inc.	07-111	\$252,500.00	11.5	9.5	\$127,000.50	\$257,008.93	49.41
	07-112	\$75,000.00	11.5	9.5	\$40,860.52	\$76,339.29	53.52
	07-130	\$42,000.00	11.5	9.5	\$20,893.16	\$42,000.00	49.75
	07-131	\$273,000.00	11.5	9.5	\$144,101.58	\$273,000.00	52.78
	07-28	\$474,045.00	11.5	9.5	\$289,643.14	\$558,506.32	51.36
	07-67	\$200,000.00	11.5	9.5	\$119,745.52	\$221,359.22	54.12
	07-77	\$30,000.00	11.5	9.5	\$17,341.02	\$31,938.74	54.29
	07-87	\$421,000.00	11.5	9.5	\$231,732.29	\$448,206.95	51.70
	07-88	\$200,000.00	11.5	9.5	\$110,006.60	\$212,924.92	51.70
	07-98	\$193,000.00	11.5	9.5	\$105,368.91	\$199,727.67	52.76
	07-99	\$82,100.00	11.5	9.5	\$44,304.68	\$84,961.87	52.15
				SUBTOTAL	\$1,251,077.92	\$2,405,974.51	
Armstrong-Keta,							
Burro Creek Farms, Inc.	07-12	\$58,700.00	11.5	9.5	\$38,692.61	\$74,485.75	51.55
	07-14	\$68,975.00	11.5	9.5	\$42,670.88	\$87,523.93	48.75
	07-35	\$52,000.00	11.5	9.5	\$55,711.96	\$100,391.90	51.40
	07-39	\$36,200.00	11.5	9.5	\$21,859.54	\$42,649.86	51.25
				SUBTOTAL	\$158,934.99	\$313,051.44	
Burro Creek Far							
Inlet Assn.	07-58	\$113,310.00	11.5	9.5	\$62,617.14	\$126,293.90	49.58
	07-60	\$1,348,081.00	11.5	9.5	\$820,315.84	\$1,503,445.78	54.56

NAME	LOAN #	ORGRINC	MARKINT	INT RATE	PVSUB	LOANVAL	PERSUB
Cook Inlet Assn				SUBTOTAL	\$882,932.98	\$1,629,739.68	
Douglas Is. Pink & Chum Corp	07-09	\$67,500.00	11.5	9.5	\$43,162.77	\$85,652.27	50.39
	07-10	\$163,000.00	11.5	9.5	\$106,505.55	\$206,834.37	51.49
	07-101	\$15,500.00	11.5	9.5	\$7,653.69	\$16,040.31	47.73
	07-102	\$51,000.00	11.5	9.5	\$25,189.69	\$52,777.78	47.73
	07-103	\$75,000.00	11.5	9.5	\$36,483.25	\$77,614.38	47.81
	07-105	\$263,000.00	11.5	9.5	\$127,934.59	\$272,167.76	47.81
	07-110	\$67,700.00	11.5	9.5	\$37,168.68	\$68,908.93	53.94
	07-115	\$55,000.00	11.5	9.5	\$23,994.66	\$55,982.14	42.86
	07-116	\$95,000.00	11.5	9.5	\$50,753.86	\$96,696.43	52.49
	07-117	\$57,300.00	11.5	9.5	\$30,331.17	\$58,323.21	52.81
	07-122	\$196,000.00	11.5	9.5	\$93,382.53	\$199,500.00	46.77
	07-123	\$50,000.00	11.5	9.5	\$23,801.67	\$50,892.86	46.77
	07-132	\$23,500.00	11.5	9.5	\$12,377.84	\$23,500.00	52.67
	07-133	\$94,000.00	11.5	9.5	\$49,511.38	\$94,000.00	52.67
	07-137	\$30,000.00	11.5	9.5	\$15,454.34	\$30,000.00	51.51
	07-138	\$130,000.00	11.5	9.5	\$66,968.80	\$130,000.00	51.51
	07-17	\$40,000.00	11.5	9.5	\$24,662.87	\$50,756.50	48.59
	07-27	\$150,000.00	11.5	9.5	\$93,834.60	\$176,725.32	52.64
	07-31	\$30,000.00	11.5	9.5	\$18,481.66	\$35,345.18	52.29
	07-48	\$162,000.00	11.5	9.5	\$97,492.85	\$180,563.15	53.99
	07-53	\$118,000.00	11.5	9.5	\$68,226.17	\$131,521.31	51.87
	07-65	\$195,500.00	11.5	9.5	\$117,540.95	\$216,378.64	54.32
	07-68	\$44,000.00	11.5	9.5	\$26,407.74	\$48,699.23	54.23
	07-72	\$198,000.00	11.5	9.5	\$119,342.12	\$219,145.63	54.46
	07-79	\$37,000.00	11.5	9.5	\$20,692.28	\$39,391.11	52.53
	07-80	\$50,000.00	11.5	9.5	\$27,894.62	\$53,231.23	52.40
	07-81	\$42,000.00	11.5	9.5	\$23,437.83	\$44,714.23	52.42
Douglas Is. Pin				SUBTOTAL	\$1,387,809.35	\$2,715,362.78	
Kake Nonprofit Fishery Corp.	07-106	\$196,187.00	11.5	9.5	\$103,436.01	\$203,025.76	50.95
	07-107	\$195,383.00	11.5	9.5	\$94,176.47	\$202,193.74	46.58
	07-127	\$272,863.00	11.5	9.5	\$128,028.39	\$277,735.55	46.10
	07-128	\$188,000.00	11.5	9.5	\$96,279.68	\$191,357.14	50.31
	07-136	\$304,276.00	11.5	9.5	\$157,579.74	\$304,276.00	51.79
	07-139	\$262,154.00	11.5	9.5	\$135,009.30	\$262,154.00	51.50
	07-32	\$346,900.00	11.5	9.5	\$209,417.73	\$408,708.14	51.24
	07-50	\$104,500.00	11.5	9.5	\$61,266.75	\$116,474.38	52.50
	07-63	\$184,000.00	11.5	9.5	\$110,599.83	\$203,652.49	54.31
	07-91	\$66,780.00	11.5	9.5	\$33,656.16	\$69,107.34	48.70
Kake Nonprofit				SUBTOTAL	\$1,129,449.25	\$2,232,683.25	
Meyers Chuck Aqua.	07-84	\$10,000.00	11.5	9.5	\$4,599.29	\$10,546.25	43.20
Meyers Chuck Aq				SUBTOTAL	\$4,599.29	\$10,546.25	
No. Southeastern Reg. Aqua.	07-108	\$288,989.00	11.5	9.5	\$135,340.18	\$299,062.69	45.25
	07-34	\$450,125.00	11.5	9.5	\$238,131.05	\$530,325.83	44.90
	07-41	\$15,000.00	11.5	9.5	\$7,777.88	\$16,718.81	46.52

NAME	LOAN #	ORSPRINC	MARKINT	INT RATE	PVSUB	LOANVAL	PERSUB
No. Southeastern Reg. Aqua.	07-51	\$261,500.00	11.5	9.5	\$126,639.97	\$291,464.61	46.89
	07-56	\$260,000.00	11.5	9.5	\$140,192.64	\$289,792.73	50.45
	07-73	\$270,196.00	11.5	9.5	\$153,533.61	\$287,657.30	54.08
	07-82	\$1,500,000.00	11.5	9.5	\$833,885.99	\$1,596,936.87	52.22
	07-89	\$224,715.00	11.5	9.5	\$122,059.55	\$239,237.11	51.02

No. Southeaster

SUBTOTAL \$1,775,600.88 \$3,551,195.15

Prince William Sound Aqua.	07-01	\$1,400,000.00	10	8.0	\$1,207,138.10	\$2,280,000.00	52.94
	07-03	\$500,000.00	10	8.0	\$375,177.84	\$692,756.44	54.16
	07-06	\$650,000.00	11.5	9.5	\$498,792.54	\$900,583.37	55
	07-119	\$1,785,000.00	11.5	9.5	\$947,968.22	\$1,817,892.86	52
	07-134	\$300,000.00	11.5	9.5	\$156,053.77	\$300,000.00	52.
	07-21	\$1,000,000.00	11.5	9.5	\$828,614.60	\$1,170,172.80	70.33
	07-22	\$329,000.00	11.5	9.5	\$210,334.71	\$387,618.85	54.26
	07-25	\$265,000.00	11.5	9.5	\$166,597.74	\$312,215.79	53.36
	07-26	\$62,000.00	11.5	9.5	\$49,828.42	\$73,046.71	68.21
	07-40	\$1,345,500.00	11.5	9.5	\$1,073,329.39	\$1,585,231.50	67.71
	07-42	\$204,000.00	11.5	9.5	\$182,696.29	\$258,860.20	70.58
	07-74	\$1,217,039.20	11.5	9.5	\$703,288.68	\$1,295,689.63	54.28
	07-90	\$1,388,000.00	11.5	9.5	\$735,566.21	\$1,477,698.92	49.78
	07-92	\$585,500.00	11.5	9.5	\$328,811.13	\$605,909.59	54.27
	07-97	\$7,692,000.00	11.5	9.5	\$4,228,517.23	\$7,960,130.72	53.12

Prince William

SUBTOTAL \$11,692,706.07 \$21,125,807.38

Sheldon Jackson College	07-120	\$105,000.00	11.5	9.5	\$80,138.16	\$180,383.57	42.55
	07-13	\$177,254.00	11.5	9.5	\$101,549.56	\$200,835.84	48.62
	07-16	\$61,370.00	11.5	9.5	\$35,241.61	\$77,873.78	45.25

Sheldon Jackson

SUBTOTAL \$216,921.33 \$475,013.19

So. Southeastern Reg. Aqua.	07-04	\$2,700,000.00	10	8.0	\$1,955,588.11	\$3,740,884.78	52.28
	07-05	\$300,000.00	11.5	9.5	\$212,007.22	\$415,653.86	51.01
	07-18	\$410,000.00	11.5	9.5	\$285,572.17	\$520,258.24	54.89
	07-19	\$525,000.00	11.5	9.5	\$367,369.68	\$666,184.33	55.15
	07-23	\$211,600.00	11.5	9.5	\$132,257.48	\$249,381.36	53.05
	07-43	\$200,000.00	11.5	9.5	\$118,067.63	\$235,634.56	50.11
	07-45	\$406,000.00	11.5	9.5	\$253,992.05	\$478,338.16	53.52
	07-59	\$1,100,000.00	11.5	9.5	\$668,012.00	\$1,226,046.15	54.49
	07-69	\$517,000.00	11.5	9.5	\$301,152.10	\$572,213.59	52.63
	07-70	\$3,783,000.00	11.5	9.5	\$2,284,134.43	\$4,187,009.71	54.55
	07-78	\$900,000.00	11.5	9.5	\$521,274.16	\$958,162.12	54.48
	07-85	\$351,000.00	11.5	9.5	\$194,061.13	\$373,683.23	51.93
	07-86	\$538,342.00	11.5	9.5	\$297,638.91	\$573,132.13	51.93

So. Southeaste

SUBTOTAL \$7,593,127.08 \$14,196,502.22

Tlingit & Haida Fisheries De	07-37	\$89,860.00	11.5	9.5	\$54,165.33	\$105,870.61	51.16
	07-38	\$1,464,000.00	11.5	9.5	\$868,095.13	\$1,631,755.96	52.71

NAME	LOAN #	ORSPRINC	MARKINRT	INT RATE	PVSUB	LOANVAL	PERSUB
Tlingit & Haida				SUBTOTAL	\$914,260.46	\$1,737,626.57	
Valdez Fisheries Development	07-100	\$266,300.00	11.5	9.5	\$144,725.50	\$275,582.79	52.52
	07-109	\$380,000.00	11.5	9.5	\$192,987.81	\$386,785.71	49.90
	07-125	\$130,000.00	11.5	9.5	\$61,652.88	\$132,321.43	46.59
	07-126	\$105,000.00	11.5	9.5	\$53,899.77	\$106,875.00	50.43
	07-129	\$528,664.00	11.5	9.5	\$244,132.35	\$538,184.43	45.37
	07-29	\$188,000.00	11.5	9.5	\$114,645.82	\$221,496.49	51.76
	07-44	\$147,000.00	11.5	9.5	\$86,885.48	\$173,191.40	50.12
	07-47	\$36,000.00	11.5	9.5	\$21,080.86	\$40,125.15	52.54
	07-49	\$240,000.00	11.5	9.5	\$141,161.28	\$267,500.98	52.77
	07-52	\$406,530.00	11.5	9.5	\$235,180.76	\$453,113.22	51.90
	07-54	\$1,950,000.00	11.5	9.5	\$1,143,163.34	\$2,173,445.44	52.60
	07-62	\$371,000.00	11.5	9.5	\$222,440.93	\$410,621.36	54.17
	07-75	\$25,000.00	11.5	9.5	\$14,408.79	\$26,615.61	54.14
	07-76	\$407,000.00	11.5	9.5	\$235,318.88	\$433,382.20	54.31
	07-94	\$511,879.00	11.5	9.5	\$287,538.53	\$529,722.28	54.28
	07-96	\$240,000.00	11.5	9.5	\$132,523.82	\$248,366.01	53.36
Valdez Fisherie				SUBTOTAL	\$3,331,666.80	\$6,417,169.50	
Valdez Fisherie				TOTAL	\$31,827,366.87	\$59,715,007.25	

Alaska State Legislature

Legislative Research Agency



P.O. Box Y
Juneau, AK 99811-3100
Phone: (907) 163-3991
Fax: (907) 163-3351

March 2, 1990

MEMORANDUM

TO:

Attn:

FROM: Sheila F. Helgath *SH*
Legislative Analyst

RE: Establishment of Regional Associations for Salmon Enhancement
Research Request 90.255

You requested the Legislative Research Agency to describe the procedure by which a regional aquaculture association could be subdivided into smaller or different associations, for example, along subregional lines or by gear type.

There is no historical precedent for subdividing a regional association. Nor do the statutes directly address the question of forming new associations within the area of an existing association.

According to Lari Spengler, assistant attorney general, the first step to accomplish a subdivision based upon geographic regions would be to petition the commissioner of Fish and Game for a change in regional boundaries. The statutes direct the commissioner of Fish and Game to establish regions (AS 16.10.375) for which a salmon enhancement plan is written. The commissioner is then directed to assist and encourage the formation of regional associations (AS 16.10.380) which are representative of all the commercial fishing interests and other interested parties in the region.

Two sections in AS 16.10 may have some bearing on this question. Alaska Statute 16.10.430 states that the commissioner may alter his findings about hatchery permits if it is not in the public interest. Alaska Statute 16.10.507 states that local nonprofit associations have to obtain the approval of the regional association before the local association can get a loan from the Fisheries Enhancement Revolving Loan Fund. There is nothing in the statute that discusses subdividing regional associations but the idea that a local nonprofit association can exist is implied by AS 16.10.507.

Whether a subdivision of an existing association could take place on the basis of gear type is not addressed in statute or regulation. The statutes make no allowance for the subdivision of regional associations based upon gear type. In fact the statute directs the commissioner to insure that all commercial fishermen groups are represented in a regional association. Assistant Attorney General Spengler thought that a procedure might be determined if more specific

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details were available about the gear type or functional reasons for a subdivision.

Attached are copies of the statutes and regulations consulted. If we can be of further help please call.

Attachments

Cross references. — For legislative findings and purpose of AS 16.10.375 — 16.10.620, see 1. ch. 59 S.L.A. 1979, in the 1979 Temporary and Special Acts and Resolves

Sec. 16.10.375. Regional salmon plan. The commissioner shall designate regions of the state for the purpose of salmon production and have developed and amend as necessary a comprehensive salmon plan for each region, including provisions for both public and private nonprofit hatchery systems. Subject to plan approval by the commissioner, comprehensive salmon plans shall be developed by regional planning teams consisting of department personnel and representatives of the appropriate qualified regional associations formed under AS 16.10.380. (§ 2 ch 161 SLA 1976; am § 2 ch 154 SLA 1977)

Sec. 16.10.380. Regional associations. (a) The commissioner shall assist in and encourage the formation of qualified regional associations for the purpose of enhancing salmon production. A regional association is qualified if the commissioner determines that

(1) it is comprised of associations representative of commercial fishermen in the region;

(2) it includes representatives of other user groups interested in fisheries within the region who wish to belong; and

(3) it possesses a board of directors which includes no less than one representative of each user group that belongs to the association.

(b) In this section "user group" includes, but is not limited to, sport fishermen, processors, commercial fishermen, subsistence fishermen, and representatives of local communities.

(c) A qualified regional association, when it becomes a nonprofit corporation under AS 10.20, is established as a service area in the unorganized borough under AS 29.03.020 for the purpose of providing salmon enhancement services. (§ 2 ch 161 SLA 1976; am § 2 ch 59 SLA 1979)

NOTES TO DECISIONS

Cited in State, N.S.E. Regional Aquaculture Ass'n v. Alex. Sup. Ct. Op. No. 2488 (File Nos. 5065, 5086, 5142), 646 P.2d 203 (1982).

Sec. 16.10.400. Permits for salmon hatcheries. (a) The commissioner or a designee may issue a permit, subject to the restrictions imposed by statute or regulation under AS 16.10.400 — 16.10.470, to a nonprofit corporation organized under AS 10.20, after the permit application has been reviewed by the regional planning team, for the construction and operation of a salmon hatchery.

(b) The application for a permit under this section shall be on a form prescribed by the department and be accompanied by an application fee of \$100.

(c) A hatchery permit is nontransferable. If a permit holder sells or leases a hatchery for which a permit is issued under this section, the new operator shall apply for a new permit under this section.

(d) *(Repealed, § 19 ch 154 SLA 1977.)*

(e) A qualified regional association formed under AS 16.10.380, if it has become a nonprofit corporation under AS 10.20, has a preference right to a permit if its proposed hatchery is provided for in the comprehensive plan for that region developed under AS 16.10.375 and the fresh water source exceeds one cubic foot per second minimum flow. Any other local nonprofit hatchery corporation approved by a qualified regional association has an identical preference right.

(f) Except for permits issued before June 16, 1976, a permit may not be issued for construction or operation of a hatchery on an anadromous fish stream unless the stream has been classified as suitable for enhancement purposes by the commissioner. The commissioner shall undertake to make such classifications in conjunction with the development of the comprehensive plan under AS 16.10.375.

(g) During the development of a comprehensive plan for a region no permit may be issued for a hatchery unless the commissioner determines that such an action would result in substantial public benefits and would not jeopardize natural stocks. (§ 2 ch 111 SLA 1974; am § 3 ch 161 SLA 1976; am §§ 3, 19 ch 154 SLA 1977)

Cross references. — For legislative intent in connection with the enactment of AS 16.10.400 — 16.10.470, see § 1, ch. 111, SLA 1974, in the Temporary and Special Acts.

Sec. 16.10.410. Hearings before permit issuance. (a) At least 30 days before the issuance of a permit under AS 16.10.400, a public hearing shall be held in a central location in the vicinity of the proposed hatchery facility.

(b) Notice of the hearing shall be published in a newspaper of general circulation once a week for three consecutive weeks, with completion of the notice at least 10 days before the hearing.

(c) The hearing shall be conducted by the department, with a presentation by the permit applicant of a plan for the proposed hatchery, describing its capacity and any other relevant facts which may be of interest to the department or the public. Interested members of the public shall be afforded an opportunity to be heard.

(d) The department shall record and consider objections and recommendations offered by the public at the hearing conducted under this section. It shall respond in writing, within 10 days after the hearing is held, to any specific objections offered by a member of the public at the hearing. (§ 2 ch 111 SLA 1974)

section shall be on a permit issued by an applica-

permit holder sells or under this section, the under this section.

under AS 16.10.380, if it 16.10.20, has a preference provided for in the comprehensive AS 16.10.375 and the second minimum flow. approved by a qualification right.

1976, a permit may not of a hatchery on an been classified as suitable. The commissioner. The communications in conjunction an under AS 16.10.375. five plan for a region no he commissioner determine substantial public benefits 2 ch 111 SLA 1974; am SLA 1977)

1974, in the Temporary and

issuance. (a) At least under AS 16.10.400, a public in the vicinity of the pro-

d in a newspaper of general circulation for a reasonable period of time, with complete notice of the hearing.

department, with a preliminary hearing before the proposed hatchery, and facts which may be of interest to interested members of the public shall be heard.

under objections and recommendations conducted under this section 10 days after the hearing is held. A member of the public at the

Sec. 16.10.420. Conditions of a permit. The department shall require, in a permit issued to a hatchery operator, that

(1) salmon eggs procured by the hatchery must be from the department or a source approved by the department;

(2) no salmon eggs or resulting fry be placed in waters of the state other than those specifically designated in the permit;

(3) no salmon eggs or resulting fry, sold to a permit holder by the state or by another party approved by the department, may be resold or otherwise transferred to another person;

(4) no salmon be released by the hatchery before department approval, and, for purposes of pathological examination and approval, the department shall be notified of the proposed release of salmon at least 15 days before the date of their proposed release by the hatchery;

(5) diseased salmon be destroyed in a specific manner and place designated by the department;

(6) adult salmon be harvested by hatchery operators only at specific locations as designated by the department;

(7) surplus eggs from salmon returning to the hatchery be made available for sale first to the department and then, after inspection and approval by the department, to operators of other hatcheries authorized by permit to operate under AS 16.10.400 — 16.10.470;

(8) if surplus salmon eggs are sold by a permit holder to another permit holder, a copy of the sales transaction be provided to the department;

(9) *[Repealed, § 5 ch 110 SLA 1980.]*

(10) a hatchery be located in an area where a reasonable segregation from natural stocks occurs, but, when feasible, in an area where returning hatchery fish will pass through traditional salmon fisheries. (§ 2 ch 111 SLA 1974; am § 5 ch 110 SLA 1980)

Sec. 16.10.430. Alteration, suspension or revocation of permit. (a) If a permit holder fails to comply with the conditions and terms of the permit issued under AS 16.10.400 — 16.10.470 within a reasonable period after notification of noncompliance by the department, the permit may be suspended or revoked, in the discretion of the commissioner after the regional planning team for the area in which the hatchery is located is notified and granted an opportunity to comment upon the proposed suspension or revocation.

(b) If the commissioner finds that the operation of the hatchery is not in the best interests of the public, the commissioner may alter the conditions of the permit to mitigate the adverse effects of the operation, or, if the adverse effects are irreversible and cannot be mitigated sufficiently, initiate a termination of the operation under the permit over a reasonable period of time under the circumstances, not to exceed four years. During the period of time that the operation is being terminated, the permit holder may harvest salmon under the terms of

the permit but may not release additional fish. (§ 2 ch 111 SLA 1974; am § 4 ch 154 SLA 1977)

Sec. 16.10.440. Regulation. (a) Fish released into the natural waters of the state by a hatchery operated under AS 16.10.400 — 16.10.470 are available to the people for common use and are subject to regulation under applicable law in the same way as fish occurring in their natural state until they return to the specific location designated by the department for harvest by the hatchery operator.

(b) The Board of Fisheries may, after the issuance of a permit by the commissioner, amend by regulation adopted in accordance with the Administrative Procedure Act (AS 44.62), the terms of the permit relating to the source and number of salmon eggs, the harvest of fish by hatchery operators, and the specific locations designated by the department for harvest. The Board of Fisheries may not adopt any regulations or take any action regarding the issuance or denial of any permits required in AS 16.10.400 — 16.10.470. (§ 2 ch 111 SLA 1974; am § 24 ch 206 SLA 1975; am § 3 ch 59 SLA 1979)

Sec. 16.10.443. Department assistance and cooperation.

(a) Before and after permit issuance under AS 16.10.440 — 16.10.470, the department shall make every effort, within the limits of time and resources, to advise and assist applicants or permit holders, as appropriate, in the planning, construction, or operation of salmon hatcheries.

(b) Nothing in this section exempts an applicant or permit holder from compliance with AS 16.10.400 — 16.10.470 or from compliance with the regulations or restrictions adopted under AS 16.10.400 — 16.10.470. (§ 1 ch 97 SLA 1975)

Sec. 16.10.445. Egg sources. (a) The department shall approve the source and number of salmon eggs taken under AS 16.10.400 — 16.10.470.

(b) Where feasible, salmon eggs utilized by a hatchery operator shall first be taken from stocks native to the area in which the hatchery is located, and then, upon department approval, from other areas, as necessary. (§ 2 ch 111 SLA 1974)

Sec. 16.10.450. Sale of salmon and salmon eggs by hatchery. A hatchery operator who sells salmon returning from the natural waters of the state, or sells salmon eggs to another hatchery operating under AS 16.10.400 — 16.10.470, after utilizing the funds for reasonable operating costs, including debt retirement, expanding its facilities, salmon rehabilitation projects, fisheries research, or for costs of operating the qualified regional association for the area in which the hatchery is located, shall expend the remaining funds on other fisher-

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 — 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 — 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan and charge a fee not to exceed \$200 for prequalification.

(b) *[Repealed, § 34 ch 79 SLA 1985.]*

(c) In determining whether an individual commercial fisherman is reasonably likely to be able to repay a loan made under AS 16.10.300 — 16.10.370, the commissioner shall consider the individual commercial fisherman's income from commercial fishing and from all other sources. (§ 1 ch 134 SLA 1972; am § 3 ch 54 SLA 1973; am § 3 ch 128 SLA 1975; am § 1 ch 154 SLA 1977; am § 3 ch 83 SLA 1978; am §§ 2 — 7 ch 72 SLA 1979; am § 7 ch 113 SLA 1982; am § 1 ch 7 SLA 1983; am §§ 1, 2, 34 ch 79 SLA 1985)

Editor's notes. — This section is set out above to correct a typographical error in the main pamphlet.

Article 8. Salmon Hatcheries.

Section

400. Permits for salmon hatcheries

410. Hearings before permit issuance

450. Sale of salmon and salmon eggs by hatchery

Section

480. Contracts for the operation of state hatcheries

Sec. 16.10.400. Permits for salmon hatcheries. (a) The commissioner or a designee may issue a permit, subject to the restrictions imposed by statute or regulation under AS 16.10.400 — 16.10.470, to a nonprofit corporation organized under AS 10.20, after the permit application has been reviewed by the regional planning team, for

(1) the construction and operation of a salmon hatchery;

(2) the operation of a hatchery under AS 16.10.480.

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(b) The application for a permit under this section shall be on a form prescribed by the department and be accompanied by an application fee of \$100. The commissioner may waive the submission of an application for a permit to operate a hatchery under AS 16.10.480.

(c) A hatchery permit is nontransferable. If a permit holder sells or leases a hatchery for which a permit is issued under this section, the new operator shall apply for a new permit under this section.

(d) *[Repealed, § 19 ch 154 SLA 1977.]*

(e) A qualified regional association formed under AS 16.10.380, if it has become a nonprofit corporation under AS 10.20, has a preference right to a permit under (a)(1) of this section if its proposed hatchery is provided for in the comprehensive plan for that region developed under AS 16.10.375 and the fresh water source exceeds one cubic foot per second minimum flow. Another local nonprofit hatchery corporation approved by a qualified regional association has an identical preference right.

(f) Except for permits issued before June 16, 1976, a permit may not be issued for construction or operation of a hatchery on an anadromous fish stream unless the stream has been classified as suitable for enhancement purposes by the commissioner. The commissioner shall undertake to make such classifications in conjunction with the development of the comprehensive plan under AS 16.10.375.

(g) During the development of a comprehensive plan for a region no permit may be issued for a hatchery unless the commissioner determines that such an action would result in substantial public benefits and would not jeopardize natural stocks. (§ 2 ch 111 SLA 1974; am § 3 ch 161 SLA 1976; am §§ 3, 19 ch 154 SLA 1977; am §§ 2 — 4 ch 14 SLA 1988)

Effect of amendments. — The 1988 amendment, effective March 31, 1988, in subsection (a), divided the formerly undivided language into an introductory paragraph and paragraph (1), and added paragraph (2); added the second sentence in subsection (b); and, in subsection (e), inserted "under (a)(1) of this section" in the first sentence and substituted "Another" for "Any other" in the second sentence.

Opinions of attorney general. — Since the conditions for issuance of a

hatchery permit do not appear to be inconsistent with the operation of a fish processing and marketing facility in conjunction with the hatchery, a nonprofit hatchery can also process and market fisheries' products, but any profit would have to be used for expansion or improvement of facilities, hatcheries research or other authorized purposes of the regional association within which the corporation is located. June 11, 1984, Op. Att'y Gen.

Sec. 16.10.410. Hearings before permit issuance. (a) At least 30 days before the issuance of a permit under AS 16.10.400, a public hearing shall be held in a central location in the vicinity of the proposed hatchery facility.

(b) Notice of the hearing shall be published in a newspaper of general circulation once a week for three consecutive weeks, with completion of the notice at least 10 days before the hearing.

(4) The proposed hatchery must have available donor sources that are approvable under 5 AAC 41. Proposed donor sources for hatchery brood stock must be able to meet necessary first-cycle egg take levels under department removal schedules.

(5) The proposed hatchery must have a secured water source and delivery system that is adequate for the proposed levels of incubation and rearing. The security of the water source must be demonstrated through the appropriate water use permits, annual hydrographs, chemical analysis of the water source, and any provisions necessary for recycling and depuration.

(6) The proposed hatchery facility and water intake structures may not be located in streams or reaches of streams that have dynamic flooding characteristics or that have significant and rapid bedload transport that may endanger water intake galleries, weirs, the facility, or the reliability of the water source for the proposed hatchery.

(7) The proposed hatchery must allow for the maintenance of adequate instream flows below the hatchery or any hatchery-related facilities, such as water intake structures, to support natural stocks.

(8) The proposed hatchery plans and staffing plans must demonstrate a reasonable level of operational feasibility and an acceptable degree of potential success.

(c) If the application is approved, the commissioner will, as a condition of the permit, require the permit holder to provide for suitable fish-passage facilities in order to accommodate acceptable upstream and downstream passage of fish, if passage facilities are determined by the department to be necessary. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020
AS 16.05.092

AS 16.10.375
AS 16.10.400

5 AAC 40.230. RECONSIDERATION. An application for a private nonprofit salmon hatchery permit which has been denied by the commissioner will, in the commissioner's discretion, be reconsidered if the applicant provides new or additional information that may have altered the original decision. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020
AS 16.05.092
AS 16.10.400

Article 5. Regional Comprehensive Planning

Section

300. Regional planning teams in general

310. Regional planning team composition

320. Chairman of regional planning team

Section

330. Quorum and voting

340. Regional planning team responsibility

Section

350. Public notice

360. Public involvement

370. Plan approval

5 AAC 40.300. REGIONAL PLANNING TEAMS IN GENERAL. The commissioner will establish regions and regional planning teams for the primary purpose of developing comprehensive salmon plans for various regions of the state. The provisions of 5 AAC 40.300 — 5 AAC 40.370 govern the structure and functions of each regional planning team and the development of a comprehensive salmon plan for each region. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020
AS 16.05.092
AS 16.10.375

5 AAC 40.310. REGIONAL PLANNING TEAM COMPOSITION. (a) Each regional planning team consists of six members. Three are department personnel appointed by the commissioner, and three are appointed by the board of directors of the appropriate regional aquaculture association, qualified under AS 16.10.380.

(b) The commissioner will, in his or her discretion, request the involvement of representatives of federal and state agencies to assist a regional planning team if their contribution will aid in the development of the regional comprehensive plan. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020 AS 16.10.375
AS 16.05.092 AS 16.10.380

5 AAC 40.320. CHAIRMAN OF REGIONAL PLANNING TEAM. (a) Each regional planning team shall elect a chairman to serve at the pleasure of the team.

(b) The chairman or his delegate shall

(1) conduct regional planning team meetings, including recording of proceedings, and employing agreed-upon rules of order;

(2) set the agenda and meeting time and place for regional planning team meetings; and

(3) coordinate regional planning team staff in the accomplishment of tasks assigned to the chairman by the team, including

(A) providing the commissioner with team communications requiring commissioner review or approval;

(B) contacting members to determine who will be attending the next scheduled meeting; and

(C) preparing minutes of the previous meeting. (Eff. 3.31.85, Register 93)

Authority: AS 16.05.020
AS 16.05.092
AS 16.10.375

5 AAC 40.330. QUORUM AND VOTING. A regional planning team may not transact business without a simple majority of four members. Voting procedures may be established at the discretion of the membership. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020
AS 16.05.092
AS 16.10.375

5 AAC 40.340. REGIONAL PLANNING TEAM RESPONSIBILITY. Each regional planning team shall prepare a regional comprehensive salmon plan, for the appropriate region, to rehabilitate natural stocks and supplement natural production, with provisions for both public and private nonprofit hatcheries. Each region planning team shall consider the needs of all user groups and ensure that the public has opportunity to participate in the development of the comprehensive salmon plan. Each regional comprehensive plan must define regional production goals by species, area, and time. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020
AS 16.05.092
AS 16.10.375

5 AAC 40.350. PUBLIC NOTICE. The chairman of the regional planning team, or his designee, shall give two weeks' notice, in a newspaper of general circulation in the appropriate region, of a planning team meeting. The chairman shall also give notice to radio and television stations in the appropriate region, for broadcast as no-cost public service messages. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020
AS 16.05.092
AS 16.10.375

5 AAC 40.360. PUBLIC INVOLVEMENT. Each regional planning team shall encourage public participation during all stages of the development and review of regional comprehensive salmon plans. (Eff. 3/31/85, Register 93)

Authority: AS 16.05.020
AS 16.05.092
AS 16.10.375

5 AAC 40.370. PLAN APPROVAL. (a) A draft regional comprehensive salmon plan must be submitted to the PNP coordinator for department review and comment.

(b) The draft regional comprehensive salmon plan must be distributed for public review.

Sec. 16.10.342. Special account established. (a) There is established as a special account within the commercial fishing revolving loan fund the foreclosure expense account.

(b) *[Repealed, § 72 ch 113 SLA 1982.]*

(c) The commissioner may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans granted under AS 16.10.300 — 16.10.370 or to defray expenses incurred during foreclosure proceedings after a default by an obligor. (§ 4 ch 83 SLA 1978; am § 72 ch 113 SLA 1982)

Sec. 16.10.350. Administration of fund. The commissioner shall administer the loan fund. (§ 1 ch 134 SLA 1972)

Sec. 16.10.355. Disposal of property acquired by default or foreclosure. The department shall dispose of property acquired through default or foreclosure of a loan made under AS 16.10.300 — 16.10.370 or former AS 16.10.650 — 16.10.720. Disposal shall be made in a manner that serves the best interests of the state, and may include the amortization of payments over a period of years, but may not be by lease. (§ 11 ch 79 SLA 1985)

Sec. 16.10.360. Definitions. In AS 16.10.300 — 16.10.370

(1) "commission" means the Alaska Commercial Fisheries Entry Commission;

(2) "commissioner" means the commissioner of commerce and economic development;

(3) "debtor" means an individual commercial fisherman who either initially contracts for a loan under AS 16.10.333 — 16.10.337 or assumes a loan as provided in those sections;

(4) "department" means the Department of Commerce and Economic Development. (§ 1 ch 134 SLA 1972; am § 5 ch 83 SLA 1978)

Revisor's notes. — Reorganized in 1983 to alphabetize the defined terms.

Cross references. — For further definitions, see AS 16.05.940.

Sec. 16.10.370. Short title. AS 16.10.300 — 16.10.370 may be cited as the Commercial Fishing Loan Act. (§ 1 ch 134 SLA 1972)

Article 8. Salmon Hatcheries.

Section

375. Regional salmon plan

380. Regional associations

400. Permits for salmon hatcheries

410. Hearings before permit issuance

420. Conditions of a permit

430. Alteration, suspension or revocation of permit

440. Regulation

Section

443. Department assistance and cooperation

445. Egg sources

450. Sale of salmon and salmon eggs by hatchery

460. Inspection of hatchery

470. Annual report



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

November 2, 1987

MEMORANDUM

TO: Representative C.E. Swackhammer

ATTN: Tom Wright

FROM: Brad Pierce *BP*
Legislative Analyst

RE: The Enhancement Authority: A Long-Term Funding Mechanism for
Alaska's Ocean-Ranching Program
Research Request 88.036

You requested this agency to discuss how a salmon enhancement authority, authorized by Alaska Statute 16.10.600-620, could be adapted to meet the long-term funding needs of the Alaska Department of Fish and Game, Fisheries Rehabilitation, Enhancement and Development Division (ADF&G, FRED). Additionally, you asked that we participate in an effort to conceptualize ways to reduce State General Fund support of hatchery production while minimizing negative impacts on the long-term growth of Alaska's salmon ocean-ranching program. This effort is in response to legislative intent language in the FY 88 FRED Division budget directing that..."the Department, the Governor's Office, the Aquaculture Associations, the Public and Fishermen's Groups meet to develop innovative policies for the generation of revenues to offset the decreasing availability of General Funds."¹

I have been attending meetings of the Enhancement Funding Working Group (composed of representatives of the interest groups cited above) to observe how the various players in the process view the options for cutting costs and generating increased revenues from public hatchery production. The FRED Division staff have prepared an analysis of revenue-generating options that have been considered by the group (Attachment A). Attachment B is an earlier House Research memorandum to you providing background material on

¹The Department of Fish and Game is required to report its recommendations to the legislature by the tenth day of the 1988 session. Chapter 95, SLA 1987, CCSHB 75, pp. 66, 67.

the legislative intent of the enhancement authority statutes and their relation to the present financial status of the public hatchery system. Attachment C includes a priority list of projects used to prepare the FY 89 FRED Division budget and a 1984 Benefit/Cost ranking of State hatchery facilities. Information contained in this memorandum will be incorporated into the ADF&G report to the 1988 Legislature. The report will provide recommendations on short- and long-term funding options for Alaska's public salmon hatcheries.

SUMMARY

A regional enhancement authority concept authorized by the legislature in 1977 was directed at obtaining federal funds to construct hatcheries. These statutes have never been used because State funds were available. Most of the federal funding programs that were originally targeted by the enhancement authority statutes no longer exist.

If the flow of General Funds to the public hatchery system is reduced in compliance with legislative intent language in the FRED Division budget, user groups must choose between having hatchery facilities closed (or costs reduced) and generating revenues to keep them operational.

A statewide enhancement authority could combine the resources of the private nonprofit (PNP) hatchery system and the FRED Division, thereby separating long-term investment decisions from the uncertainty of the State's cash flow position. While not a solution to the basic funding problem, a statewide enhancement authority could offer a means to distribute the costs of public hatchery production among user groups in proportion to the benefits each receives.

The FRED Division has begun an educational process aimed at informing the users of public hatchery production (commercial, sport, subsistence and personal use fishermen) of the benefits and costs of fisheries enhancement so the user groups can make informed decisions about the level of support they are willing to provide. It is likely to take a period of several years before the "user pays" concept becomes as politically acceptable in Alaska as it has elsewhere in the country.

In the short-term, operating contracts with regional aquaculture associations to run several public hatchery facilities can offer General Fund savings in the form of offset operating costs and cost recovery revenues. It will be up to the legislature to determine the sustainable level of General Fund contributions to the FRED Division. If it is decided that operating contracts with the associations provide sufficient savings, then the enhancement authority concept is likely to be unnecessary.

BACKGROUND

In the early 1970s, Alaska's salmon runs were severely depleted. This had dire economic consequences for coastal communities and the state's fishing industry. The FRED Division was established by the legislature in 1971 to encourage the use of hatcheries and other enhancement techniques to return the state's salmon runs to abundance. Limited entry was imposed on the state's salmon fisheries in 1974 as a means to increase fishermen's incomes and as a management tool to better control fishing effort. The private nonprofit hatchery system statutes (AS 16.10.375-620, enacted in 1974) authorized the FRED Division to issue hatchery permits to qualified PNP corporations. This legislation was designed to apply private sector initiative to the production of salmon.

In 1976, the legislature authorized the formation of regional aquaculture associations.² In the same year, the legislature authorized the first of two General Obligation bond issues (totaling \$56.17 million) for the construction and operation of public hatcheries.

Alaska's ocean-ranching program has developed around FRED Division hatchery production, which is primarily financed with State funds, and PNP hatchery production. The PNP system has two elements:

- regional aquaculture associations, which are primarily capitalized via State loans and grants and which receive operating revenues through cost recovery operations and an assessment tax on the commercial salmon catch within their region; and
- nonassociation hatchery operations, which are capitalized with State loans and grants and dependent upon sales of surplus fish and spawned-out carcasses to commercial buyers (cost recovery operations). Surplus eggs can also be sold to other hatchery operators through the FRED Division (which supervises all egg transfers).

Presently, there are 20 operational FRED Division hatcheries and 29 permitted private nonprofit hatchery facilities (17 operational). Of the permitted PNP facilities, 11 are regional aquaculture association hatcheries

²Regional associations were given the task... "of contributing, by artificial means, to the rehabilitation of the state's depleted and depressed salmon fishery." The board of directors of qualified regional associations is supposed to include at least one representative from all user groups interested in fisheries. Today there are seven regional aquaculture associations: Cook Inlet (CIRAA), Lower Yukon/ Kuskokwim (LYKRAA), Northern Southeast (NSRAA), Prince William Sound (PWSAC), Southern Southeast (SSRAA), Imparik (IRAC) and Kodiak (KRAA).

(eight operational) and 18 are nonassociation hatcheries (nine operational). Since 1971, the State has invested well over \$100 million in PNP and FRED Division hatchery and enhancement facilities.³ Table 1 provides a listing of the 20 FRED hatcheries currently in operation by orientation (commercial, sportfish, or combination), location, estimated gross commercial harvest value of returning adults (from 1987 broodstock), and FY 88 budgeted operating costs.

Enhancement authorities were authorized by HB 264 (SLA 1977), an omnibus bill that cleaned up several sections of Title 16 relating to commercial fishing and enhancement loans and also clarified the assessment powers and procedures of regional aquaculture associations. Enhancement authorities were originally conceived as quasi-public pass-through vehicles that could qualify for federal economic development grants to finance hatchery construction projects. They were to be created on a regional basis, if and

³Fisheries Mini-Cabinet, July 31, 1985 memorandum to the Honorable Bill Sheffield regarding Fisheries Enhancement Revolving Loan Fund Policy.

TABLE 1
ALASKA DEPARTMENT OF FISH & GAME, FRED DIVISION HATCHERIES
COMMERCIAL FACILITIES

Hatchery	Location	Estimated Gross Commercial Harvest Value of 1987 Broodstock* (In Thousands)	FY 88 Budgeted Operating Costs** (In Thousands)
Main Bay	Prince William Sound	\$1,185.6	\$393.9
Hidden Falls	Baranof Island	3,030.5	678.7
Crooked Creek	Kasilof	1,259.7	390.6
Kitoi Bay	Afognak Island	1,499.7	298.6
Cannery Creek	Prince William Sound	1,611.1	204.1
Tutka Bay	Homer	649.7	348.7
Klawock	Prince of Wales Island	596.4	441.2
Karluk Lake***	Kodiak Island	279.9	193.6
Russell Creek	Cold Bay	268.3	222.8
Beaver Falls	Ketchikan	96.0	272.4
Siksuilaq	Noatak River	45.3	335.2
Gulkana River	Paxson	940.1	248.5
Total		\$11,462.3	\$4,028.3
SPORTFISH FACILITIES			
Elmendorf	Anchorage	\$538.0	\$460.4
Clear	Anderson	52.4	366.0
Fort Richardson	Anchorage	726.4	984.0
Crystal Lake	Petersburg	1,352.6	535.2
Total		\$2,669.4	\$2,345.6
COMBINATION SPORTFISH/ COMMERCIAL FACILITIES			
Snettisham	Juneau	\$3,951.4	\$914.5
Deer Mountain	Ketchikan	253.6	176.8
Big Lake	Wasilla	1,051.4	364.8
Trail Lakes	Moose Pass	375.4	322.2
Total		\$5,631.7	\$1,778.3
STATEWIDE TOTAL		\$19,763.4	\$8,152.2
REGIONAL TOTALS			
Southeast		\$9,280.3	\$3,018.8
Prince William Sound		2,796.8	598.0
Cook Inlet		4,600.6	2,870.7
Kodiak/Alaska Penn.		2,047.9	715.0
Interior AYK****		1,037.8	949.7

* Note these figures are only for the commercial catch of returning adults to these facilities and do not include the value of the sport or subsistence catch.

** Budgeted costs include General Funds plus Other revenue sources. Several hatcheries have special projects budgeted separately. These include (in thousands) Deer Mountain-\$40 in Dingall Johnson funds and \$36 in program receipts from hatchery tours, Snettisham-\$314 in Dingall Johnson funds for recreational fishery projects, and Fort Richardson-\$198.6 for a rainbow trout broodstock program.

*** The Karluk incubation facility was removed in FY 88 and replaced with a lake fertilization project.

**** Arctic/Yukon/Kuskokwim.

Sources: Tom Kron, Assistant Director and Jeff Hartman, Economist, FRED Division.

Prepared by the House Research Agency, October 1987, (88.036; 080387-03).

when the governing bodies of the respective regional aquaculture associations wished.⁴ The regional enhancement authority concept has never been used. With the increasing availability of State revenues in the late 1970s and early 1980s, the enhancement authority statutes were redundant. The federal funding programs that were originally targeted by the enhancement authority statutes have nearly disappeared.⁵

The legislature has reduced the General Fund contribution to the FRED Division budget and indicated that further reductions are likely. Budget reductions have forced the FRED Division to attempt to transfer (to the regional associations) some of its operating expenses. A statewide enhancement authority (described in the following section) has the potential to facilitate the transfer of public expenditures on fisheries enhancement to those who benefit directly from those expenditures.

A STATEWIDE ENHANCEMENT AUTHORITY

An enhancement authority could restructure the institutional relationship between the state's public and private hatchery systems. The most workable option appears to be to combine the resources of the public and private nonprofit hatchery systems under a single public corporation endowed with taxing and bonding powers.

A single statewide entity (hereafter referred to as the authority) could assume many of the responsibilities (and staff) of the FRED Division as well as disburse the regional aquaculture assessment revenues and administer the Fisheries Revolving Enhancement Loan Program.⁶ The authority

⁴The number of persons to serve on an enhancement authority's board of commissioners, their terms of office and the procedure for filling vacancies on the board were to be specified by resolution of the governing body of the association. Tax exempt status for 20 years on property owned by the authority (used in salmon enhancement) is also conferred in statute. Authorities were empowered to use their assets as collateral; make contracts with individuals, corporations or governments; receive and administer grants, gifts and donations; invest funds not required for immediate disbursement; and acquire, hold, use, lease, sell or dispose of property. There was some discussion in legislative committees about giving these authorities taxing and bonding powers, in effect creating a third salmon production unit separate from the FRED Division and PNP hatchery systems. In its final form, however, the legislation did not provide those powers.

⁵Carl Rosier, Chief of Industry Services-National Marine Fisheries Service (NMFS), personal communication, October 1987.

⁶Servicing of loan accounts could be contracted to the DCED-Division of Investments (similar to methods employed by the Alaska Power Authority and the Alaska Industrial Development and Export Authority) to achieve maximum administrative efficiency.

could be a public corporation of the State, situated for administrative purposes within the Department of Fish and Game, and roughly modeled after the Alaska Power Authority (APA) and the Alaska Industrial Development and Export Authority (AIDEA). The authority would be responsible for the continued development of the state's ocean-ranching program and the equitable distribution of the costs of fisheries enhancement activities (among user groups).

Members of a board of directors could serve staggered terms to maintain continuity. The legislature may want to specify the composition of the board in enabling legislation to assure that all user groups are adequately represented. For example, the legislature might require that the presidents of the regional aquaculture associations have seats on the board.⁷ Likewise, representatives of nonassociation PNPs, the Governor's Office and the public might be specified.

An authority cannot work without a revenue stream in addition to the current assessment receipts, which are exclusively reserved for the regional associations. Some combination of the revenue-generating options outlined by FRED Division staff in Attachment A would be necessary. A reasonable combination of revenue-generating activities might involve operating contracts with regional associations, an assessment or royalty tax on the commercial harvest, an increase in recreational fishing license fees, and cost recovery operations at public hatchery sites. Revenues collected from these sources could be deposited in the General Fund, budgeted as program receipts, and routinely appropriated to the authority by the legislature. The legislature may want to reserve final approval of any new revenue-generating activities authorized by the authority's board of directors.

The authority could be authorized to issue revenue bonds to finance capital construction projects and loan programs. This would reduce uncertainty about obtaining financing for growth in the PNP system by separating the authority's financial resources from competing priorities in the annual State budget cycle. A recent poll of the 15 existing PNP permit holders revealed that there will be several requests for capital construction funds

⁷Under AS 16.10.380, regional associations are required to... "possess a board of directors which includes no less than one representative of each user group that belongs to the association." User group... "includes, but is not limited to, sport fishermen, commercial fishermen, subsistence fishermen, and representatives of local communities."

in FY 89.⁸ However, there is no money currently available in the Fisheries Revolving Enhancement Loan fund to finance these projects. Thus, an appropriation to the Enhancement Loan Fund will have to be considered by the legislature. This means that funding these long-term projects will be subject to the short-term uncertainty of the State's cash flow position.⁹

An authority would likely be able to sell revenue bonds at competitive rates if it could claim: 1) a \$50 million enhancement loan portfolio as security; 2) a proven annual assessment revenue stream (\$4.26 million in FY 86); and 3) a forecast of revenues from a selection of the revenue-generating options cited previously. The legislature may want to reserve final approval of projects over a certain size and/or require authority staff to perform Benefit/Cost analyses of all new construction projects to ensure they produce net benefits.

To gain the highest possible credit rating, the legislature might want to authorize the authority to issue moral obligation bonds as it has for the Alaska Housing Finance Corporation (AHFC), Municipal Bond Bank, AIDEA and APA.¹⁰ This type of debt consists of bonds secured, in part, by a capital reserve fund to which a discretionary replenishment provision is attached. A capital reserve fund is generally equal in size to the maximum amount of debt service required in any year. Alaska's discretionary replenishment provision means that if the reserve fund should fall below its required level, the legislature may, but is not legally bound to, appropriate funds sufficient to restore reserves to the desired level.¹¹

⁸Dave Massey, Loan Officer, Department of Commerce and Economic Development (DCED)-Division of Investments, personal communication, October 1987.

⁹Construction and operation of hatchery facilities requires a very long planning horizon. Generally it takes two cycles of releases and returns (up to 12 years for certain species before cost recovery operations at the hatchery site can generate sufficient revenues to begin repaying construction costs. If a hatchery does not reach its design capacity of production due to insufficient funding, it will not generate maximum economic benefits to the common property fishery.

¹⁰Alaska Public Debt 1986, Department of Revenue, April 1987, p. 23.

¹¹The most likely reason for a reserve fund to fall short of the desired level is that agency revenues are insufficient to meet a given debt service payment and the reserve fund is used to make up the shortage.

The legislature could provide a one-time appropriation to the authority for a capital reserve fund large enough to secure anticipated annual debt service payments for planned public and private enhancement construction projects. The authority could bond for the projects and pledge a portion of its revenue stream (program receipts) to meet debt service payments. Thus, the legislature could use its initial capital reserve fund appropriation for financial leverage and be relieved henceforth of General Fund appropriations to the Enhancement Loan Fund for PNP construction projects or capital improvement requests from the FRED Division.

PREREQUISITES OF A STATEWIDE ENHANCEMENT AUTHORITY

An enhancement authority cannot be successful until there is general agreement on the following basic assumptions:

- 1) Public hatcheries benefit the Alaska economy. The ADF&G has research that roughly quantifies the net benefits of each hatchery's production during the lifetime of the facility.¹² Commercial fishermen's groups in regions with public hatcheries generally recognize the importance of hatchery production to their livelihoods, but sportfishing and subsistence users may not be aware of the benefits they receive. All users need to be convinced of the importance of hatchery production if they are to be asked to bear a portion of the costs of production.
- 2) The status quo is not sustainable. The legislature has clearly stated that it wants the public hatchery system to reduce its dependence on General Fund appropriations. User groups that benefit from hatchery production need to be convinced that lobbying efforts will not result in full State funding before they agree to pick up a larger share of the costs themselves. It may be necessary to close some marginal facilities (in terms of Benefit/Cost ratios, see Attachment C) before affected user groups will seriously consider an enhancement authority as a necessary or desirable means to equitably distribute enhancement costs and sustain the state's ocean-ranching program.

¹²Jeff Hartman, "An Analysis of the Net Benefits of Existing and Proposed Enhancement Projects for the State of Alaska," ADF&G, April 1986.

- 3) Beneficiaries of public hatchery production should bear costs in direct proportion to the benefits they receive. Transfer of operations (to the regional associations) of commercially oriented hatcheries is only one means to distribute costs to beneficiaries. To date, all of the revenue-generating options put forth by FRED Division staff--increased taxes and license fees, charges for FRED Division services or State cost recovery operations--have been rejected by the nongovernment members of the Working Group.

It is likely to take a good deal of education and perhaps several years before the "user pays" concept becomes politically acceptable in Alaska as it is elsewhere in the country. The enhancement authority concept has little probability of implementation until all user groups are convinced that alternatives (e.g., closing public hatcheries) are less attractive than bearing their share of the costs.

OTHER CONSIDERATIONS

Reducing State Operation Costs

Cooperative agreements between the FRED Division and the respective regional aquaculture associations have allowed the Kitoi and Cannery Creek hatcheries to remain open in FY 88.¹³ In addition, a contract with two Southeast Alaska seiners' organizations will generate \$95,000 - \$97,000 in net cost recovery program receipts from the Hidden Falls hatchery.

These short-term agreements are an important first step in the reduction of General Fund expenditures for public hatchery production. The legislature recognized this and inserted language into the FY 88 FRED Division budget requesting the division to evaluate these agreements as prototypes for future contracts to run other public hatchery facilities.

¹³The Kitoi hatchery is in the Kodiak Region and the Cannery Creek Facility is in the Prince William Sound Region. The cooperative operating agreements are expected to offset approximately \$214,500 in operating expenses (the associations will provide most of the labor to operate the hatcheries) and provide \$76,000-\$86,000 in program receipts from cost recovery operations (the State will receive a portion of the receipts from the sale of fish and carcasses harvested by the associations).

The next step in the process of reducing General Fund support of public hatcheries will likely involve formal contracts for the transfer of operations of several state hatchery facilities to regional aquaculture associations.¹⁴ Hatcheries which produce commercial species and have terminal harvest areas that lend themselves to cost recovery operations are candidates for contractual arrangements. The FY 89 FRED Division budget priority list is built on the assumption that agreements will transfer operations to regional associations (see Attachment C).

Without details of the individual contracts (which have not been negotiated), it is impossible to give accurate estimates of the savings that could be realized through this method. Potentially, however, contract arrangements for operation of the Tutka, Cannery Creek, Kitoi and Hidden Falls facilities could produce net annual savings on the order of \$2.4 million.¹⁵ As can be seen from Table 1, the commercial harvest value of 1987 broodstock in these four facilities is estimated at \$6.8 million. Eventually, several more of the 12 public hatcheries that produce primarily commercial species could be operated under contract by regional associations or other private nonprofit entities. However, the gross harvest revenues projected from some of the more marginal public facilities may not be sufficient for the private sector to be interested in picking up their cost of operations.

The legislature, in consultation with the FRED Division Director, may want to set goals for General Fund support reductions in future years to guide the implementation of contract agreements and other revenue-generating/cost reduction measures. If the legislature determines that the transfer of operations of a given number of public facilities to the regional associations--and closure of those facilities for which agreements cannot be reached--sufficiently reduces General Fund outlays, an enhancement authority may be unnecessary.

¹⁴Although there has been some discussion in the legislature and among representatives of the regional associations of transferring ownership of public hatcheries to the regional associations, contracting for their operation may be more politically acceptable than selling or giving away public property.

¹⁵This estimate assumes: all budgeted General Fund expenses for the hatcheries are borne by the contracting association, FRED Division receives \$125,000 in program receipts from cost recovery revenues at Hidden Falls, and contract administration costs total \$120,000.

The Role of the FRED Division

Although the discussions of the Enhancement Funding Working Group have focused on practical matters such as reducing operating costs and generating new revenues, we have also spoken of the need to change the role of the FRED Division to reflect current and future financial reality. There appears to be general agreement that the focus of the FRED Division needs to change from public hatchery production to one emphasizing research and development support and technology transfer to the private sector.

Most successful aquaculture programs in other states and countries have a strong research and development support base that is financed with public funds. Thus, the administration, planning, research, laboratory, engineering support services of the FRED Division could be considered legitimate State government functions which should continue to be supported with General Funds. Some experimental hatchery operations may be too risky for PNP operators but could eventually pay off if supported with State funds. Likewise, the legislature might determine that public hatcheries which are primarily oriented toward subsistence or sportfish production should be operated with public funds.

Further distribution of the costs of public hatchery production will depend, in part, on the ability of the FRED Division (or enhancement authority) staff to accurately estimate the benefits of enhanced production that can be assigned to individual user groups. The analytical tools that the FRED Division staff have developed to quantify the benefits of hatchery production received by various user groups can be applied to commercial production with a fair degree of confidence. Benefits of sportfish and subsistence production are more difficult to quantify and require a more sophisticated methodology. Within the next three years, FRED Division staff should be able to determine the economic importance of sportfish and subsistence hatchery production with much greater accuracy.¹⁶

It will be up to the legislature to determine how far the privatization process will proceed. If the legislature wishes to maintain a viable and growing ocean-ranching program while minimizing General Fund outlays, an enhancement authority may offer a means of distributing costs and generating revenues. An authority board of directors could assist the legislature in determining the minimum level of General Fund support necessary for future development of the State's ocean-ranching program and articulate the respective roles of the private and public sectors.

¹⁶The data from two recent studies of sportfish valuation, conducted by a contractor to the Sportfish Division in the Southcentral and Juneau areas, should be available before the end of 1987. Another sportfish study of Southeast is budgeted for FY 89. These studies should fill in many of the gaps in existing data and allow more meaningful simulations of the impacts of sportfish production to the economies of these regions.

CONCLUSION

I have attempted to place the financial status of Alaska's ocean-ranching system in perspective by describing the short- and long-term aspects of the present FRED Division funding situation. The issues involved in assessing costs and distributing benefits of a common property resource are complex and highly controversial; policymakers should have realistic expectations of how rapidly change can proceed. Several intermediate steps are likely to be required before the statewide enhancement authority concept becomes a viable option. A transition period of several years is likely to be necessary before an authority could assume much of the financial burden of the FRED budget from the State General Fund.

A statewide enhancement authority seems to offer a means to integrate the goals of the public and private hatchery systems. From the legislature's perspective, it offers the advantages of maximum financial accountability and administrative simplicity. It is also likely to minimize State expenditures on enhancement efforts.

There are tradeoffs involved. The regional associations and nonassociation hatchery operators may feel they would lose some of their independence under the authority umbrella. User groups will undoubtedly object to paying for more of the costs of enhanced production. In return, the private nonprofit hatchery system will gain a large measure of security and a greater voice in the future development of the state's ocean-ranching system. User groups will receive benefits from enhancement of salmon fisheries in direct proportion to the amount of financial support they are willing to provide.

* * *

I hope the information in this memorandum is useful. I am sending a copy of this memorandum to Brian Allee, Director, FRED Division as a draft chapter for inclusion in the Fish and Game Department report to the 1988 legislature. We will also send copies to staff in several other State agencies for review. Please call me if you have any questions or would like further information.

Attachments

ATTACHMENT A
**A Review of Funding Alternatives for the Fishery
Enhancement Program**

DRAFT
A REVIEW OF FUNDING ALTERNATIVES FOR THE
FISHERY ENHANCEMENT PROGRAM

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Fisheries Rehabilitation, Enhancement
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September 1987

DRAFT
A REVIEW OF FUNDING ALTERNATIVES
FOR THE FISHERY ENHANCEMENT PROGRAM

This draft is a summary of the alternatives that have been raised on the funding mechanisms for the enhancement program. While there are still many questions left unanswered, it is the intent of this outline to serve as a starting point for compiling the information available on the alternatives. As it is an initial step, a broad range of alternatives are included. In the interest of not leaving anything out, some of the options on the fringe are included. Most of the elimination process is to occur from the interaction of user group meetings and public meetings.

The list of funding mechanisms have been analyzed with a set of criteria that include the economic, legal, fishery, public/political acceptance, and land status implications. A description of the criteria and why they are used in the analysis are included in Appendix A.

Two previous working group meetings have occurred for the review of the issues related to fishery enhancement funding. The following participants were in attendance in the last meeting of August 27: Bob Cole, Harold Heinkel, Kate Graham, Brian Allee, Ben Muse, Kurt Schelle, Brad Pierce, Dave Daisy, Jerry Madden, and Steve McGee.

The legislative intent in the FY 88 budget for the Fisheries Rehabilitation, Enhancement and Development (FRED) Division was the starting point for this review of funding alternatives. Four intent sections were determined to be relevant to development of new financing mechanisms.

Intent No. 2: It is the intent of the Legislature that the department, the Governor's Office, and fishermen's groups meet to develop innovative policies for the generation of revenues to offset the decreasing availability of general funds. The department shall report its recommendations to the Legislature by the tenth (10) day of the 1988 session.

Intent No. 5: It is the intent of the Legislature that the program receipts required of the department shall include but not be limited to funds derived from the following sources: egg sales, hatchery tours, rent receipts and rainbow trout fingerling sales. The department shall work to develop and expand these revenue-producing activities.

Intent No. 6: It is the intent of the Legislature that the division enter into agreements with Cook Inlet Aquaculture Association, the Prince William Sound Aquaculture Corporation, and the Kodiak Regional Aquaculture Association to provide assistance in the operation of Tutka, Cannery Creek, and Kitoi Hatcheries, respectively, on a cooperative basis. A report of this effort will be provided to the Legislature by the tenth day of the 1988 session.

Intent No. 7: It is the intent of the Legislature that the revenue-producing activities ongoing at Tutka, Kitoi, and Cannery Creek will be evaluated as models for additional revenue-generating activities with the intent of maintaining the state's continuing ownership, management, and operation of FRED Division hatcheries. A report will be submitted to the Legislature by the tenth day of the 1988 session.

After a review of the legislative intent and the funding alternatives raised thus far, four recommendations were raised by the working group during the meeting of August 27.

1. Consider funding schemes that use a balance of the revenue-generation options stated to achieve a reasonable level of funding support for fisheries enhancement.
2. Develop a survey, to be sent to a random sample of Alaskan residents, to determine attitudes toward fishery enhancement funding and ownership issues.
3. Develop a trial contract that transfers operations of the hatcheries to the private sector for a period of approximately five years.
4. Develop long-term alternatives for enhancement program funding, such as an enhancement authority, or taxes and license fees.

BACKGROUND INFORMATION

As one might expect, Alaska is not the only major fishery enhancement program in the Pacific Northwest to have financing problems. The final draft of this analysis is to have a complete summary of how the major western states and Canada are funding their substantial fisheries enhancement activities. The Government of Canada has recently implemented an aggressive set of license fees to fund a large portion of the Salmonid Enhancement Program (Harold Swan, Director SEP, 9-3-87). An annual commercial fishing license fee for gill net fishermen and troll fishermen (\$400 for boats under 30 feet, and \$800 for boats over 30 feet) will take effect next year. A \$1,600 license fee for seine fishermen has also recently taken effect. A marine recreational fishing license increase of \$5-\$10 for Canadian citizens is now law, as is an increase of \$20-\$35 for non-citizens. Approximately fifty percent of the rent from the recreational license fee is to go to SEP. The Minister of Fisheries is considering further taxes, including the implementation of a royalty tax on landings.

The eighteen funding alternatives in the present analysis have been grouped according to five major categories. The categories include altered or new taxes, altered or new license fees, new ownership/leasing/contracts, agency service charges, authorities, and agency service charges/other. The alternatives can also be

stratified by whether they are a more appropriate short-term solution or long-term solution. Participants in previous meetings on the funding mechanisms have concurred that the options of specialized contracts and professional service agreements (under the ownership/leasing/contracts heading) and select service charges provide more probable short-term solutions to immediate funding shortfalls. The more likely longer-term solutions appear to be the Enhancement Authority and altered taxes or license fees. The full list follows.

New Ownership/Leasing/Contracts:

- Transfer and Leasing of Hatchery Ownership
- Cooperative Agreements
- Contracting Harvest and Operations

Taxes:

- Raw Fish Tax
- Vessel Fuel Tax
- Landings Tax
- Enhancement Tax

License Fees:

- Entry Permit Renewal Fee
- Terminal Area License Fee
- Recreational Fishing License Fee
- Subsistence/Personal Use License Fee

Authorities:

- Enhancement/Aquaculture Authority

Agency Service Charges & Other:

- FRED Division harvests terminal fish and sells
- FRED Division sells live and dead eggs and fish
- Charge for consulting fees of FRED
- Visitor Fees
- Public Donations
- Rescheduling of debt on public hatcheries/use for operating costs.

I. Transfer and/or Lease Hatcheries to Private Nonprofit Ownership

General: This mechanism may reduce drain on state treasury, but is not intended to generate new revenue. Nevertheless, hatchery transfer and hatchery leasing are to be evaluated in this analysis. The most obvious method of transferring hatchery ownership is an outright sale of the facility. PNP facilities have been granted the rights to produce, harvest, and sell salmon under specific conditions. Those specific conditions allow for somewhat of a stable financing of some of the PNP operations.

A. Economic

1. Distributional Effects

The distributional effects also are dependent on how the new caretakers would operate. In some cases, the fish production may be shifted to a new fish species that would create a larger terminal fishery for "cost recovery." There also may be distributional effects on different gear groups.

2. Efficiency Effects of the Mechanism

This option, as explained in some of the other taxing and licensing options, would improve the efficiency of resource harvest. It is also possible that operating costs of facilities would be reduced, which would also result in an efficiency gain.

3. Administrative Simplicity and Cost

Once the legal mechanism for hatchery leasing and/or transfer have been worked out, the administration of the program through FRED Division would not change significantly. The long-term administrative costs for FRED should involve less than one man year of labor annually for administering a few additional PNP hatcheries. It should be noted that some of the regional associations have indicated that large-scale hatchery transfer or leasing may have to be seeded with additional loan funds. Naturally, the cost of financing further development of the PNP Program through loans would need to be computed to account for the total costs of administering this option.

4. Revenue Generated by the Mechanism

Generating new revenue for the state treasury is not the intent of this mechanism. Transfer options that do not require sustained loan funds are likely to reduce treasury costs. The reduction in the general operating budget from this approach can best be determined by implementing this option.

B. Public/Political Acceptance

This has been one of the more widely debated approaches to financing fisheries enhancement in Alaska. Support for the approach seems to be mixed in the Legislature and among fishermen. On the one hand, people passed bond issues to fund hatcheries and it has been argued that voters should decide whether to give them away. On the other hand, if private owners can run and harvest the fish more efficiently, the residents of Alaska may be better off.

C. Legal Feasibility

The ADF&G presently does not have the statutory authority to administer a lease or to sell state-owned hatchery facilities. This option requires legislative action that would provide ADF&G with the proper authority. An analysis of the statutory changes required to pursue this option is being undertaken by the PNP Program of the FRED Division.

D. Short-Term Solution or Long-Term Solution

Since this mechanism requires legislation, it is likely to be only a long-term solution (more than one year).

E. Land Status

Only 2 or 3 state-owned facilities are on state land. Other landowners include the U.S. Forest Service, cities, boroughs, native lands, and private ownership. Any implementation of this option would require a new agreement with the landowner.

II. Contracting Out Hatchery Operations and Harvest

General: The most obvious method for contracting out hatchery activities is through a "Professional Services Contract" (PSA). The PSA could be applied to either the operation of a state-owned hatchery, the harvest of fish from a state-owned hatchery, or both. The current thinking is that most PSA's would be applied to both hatchery operation and harvesting. The PSA would involve a small fee or no fee, since the contractor would have a vested interest in the continued operation of the facility.

A. Economic

1. Distributional Effects

The distributional effects should be approximately the same as a sale or lease.

2. Efficiency Effects of the Mechanism

Generally contracted operations that reduce the cost of fish harvest or hatchery operation will improve efficiency.

3. Administrative Simplicity and Cost

Same as sale or lease.

4. Revenue Generated by the Mechanism

Same as sale or lease.

B. Public/Political Acceptance Will be Determined in Hearings

C. Legal Feasibility

The PNP Program is investigating this with the Attorney General's Office.

D. Short-Term Solution or Long-Term Solution

If the statutory authority exists now to implement the contracting of operations, then this would be a good, immediate solution. It may also become a good long-term solution.

E. Land Status

Same as sale or lease.

III. Cooperative Agreements

General: In FY 88, the FRED Division used a temporary financing mechanism called a "cooperative agreement" for operating some state-owned hatcheries. The mechanism also involves a contract between the regional association and a limited entry permit holder. The intent of this approach was to capture some of the revenues from the salmon harvest and channel them into the program receipts to help offset operating costs of the facility.

A. Economic

1. Distributional Effects

Similar distributional effects to hatchery transfer.

2. Efficiency Effects of the Mechanism

While some fish are diverted away from the common property fishery, with this approach the remaining fish are harvested at almost no cost; therefore, the mechanism is an efficient use of resources.

3. Administrative Simplicity and Cost

While this is considered a temporary measure, the costs of administering the approach are approximately 2 man months per year.

4. Revenue Generated by the Mechanism

From 30% to 50% of the operating costs of the facilities.

B. Public/Political Acceptance

Major objections have been voiced by the fishing community regarding the state's involvement in cost-recovery harvest.

C. Legal Feasibility

We are uncertain whether the approach can be applied further without legislative action.

D. Short-Term Solution or Long-Term Solution

The solution was intended to be a temporary measure only, and there are no plans to conduct a further review of statutory requirements for continuation.

E. Land Status

N/A

IV. Increasing the Existing Raw Fish Tax

General: The Raw Fish Tax is levied on processors and based on the information provided in fish tickets administered by ADF&G. The tax is based on the price paid for fish in the round. The funds are distributed into the General Fund and appropriated by a specific formula into communities and the ADF&G budget. A 1987 letter from Commissioner Don W. Collinsworth to Senator Richard Eliason suggests that the raw fish tax should be reviewed to determine if the funds are being allocated in the appropriate manner.

A. Economic

1. Distributional Effects

This tax is levied on processors, so from the accounting standpoint, the processor pays for this tax. From the economic standpoint, some of the costs could be born by the consumer (in the form of higher prices), by the processor (from higher costs), or by the fishermen (who would be offered lower prices for fish). The analysis of a similar salmon tax in Canada (DeVoretz, and Schwindt, 1982), experience with this type of tax suggests that most of the tax will be passed on to the fishermen. This is because fishermen have very little price bargaining power, and basically have to take the price offered. Processors have a hard time passing much of the tax on to consumers because a small price change will likely yield a large change in the quantity purchased in the marketplace. Assuming the increased tax would be levied on all fisheries, there would be some fisheries that would bear the costs of the program that would not directly benefit from enhancement.

The Bristol Bay salmon fleet would be a good example of this.

2. Efficiency Effects of the Mechanism

Major changes in the efficiency of resource use are not expected with this tax. Since a small portion of fishermen's gross receipts would not be spent on more powerful fishing gear, some dissipation of fishing profits may be prevented. On the other hand, this tax is complex. The base tax fraction is different for shore-based and floating operations. A uniform increase in the tax fraction (of 1%) may effect some processors more than others.

3. Administrative Simplicity and Cost

Once legislation is passed, the marginal costs of the mechanism are probably no different than now.

4. Revenue Generated by the Mechanism

In 1986, this tax yielded approximately \$21.1 million. Currently, 50% to 70% of the receipts go to the General Fund, while the remainder goes to cities and boroughs. For the developed fisheries, the tax fractions range from 3% to 5%. For the developing fisheries, the tax ranges from 1% to 3%. Depending on the size of the annual catch, there is a potential for \$3 million to \$5 million to be raised by an increase of 1% in the tax fraction. There is a potential for significant amounts of revenue to be generated from a small increase in the tax. Three to five million dollars annually is not out of reason.

B. Public/Political Acceptance

Because of the distributional problems, it would be difficult to introduce this approach to the Alaska fishing industry. Also, communities may object to tampering with the appropriation formula.

C. Legal Feasibility

It is almost certain that new legislation would be required to implement any variation of the raw fish tax. The language in the statutory changes is uncertain without further research. It would be advisable to seek Attorney General Office opinion. Some of the statutes that are potentially impacted by a change in the raw fish tax are: 43.75.034 to 43.75.130, 43.75.015, 43.75.017, 43.75.030, 43.75.032, and 43.75.130.

D. Short-Term Solution or Long-Term Solution

The lead time required to investigate and legislate this option is considerable. Fishermen, processors, communities, and boroughs would have to be involved in the review process. Clearly, this is a long-term option only.

E. Land Status Not Applicable

V. Increase the Amount of the Vessel Fuel Tax

General: An increase in the vessel fuel tax would be applied to all fishing and non-fishing fuel purchases in the state. The fuel tax is an example of a tax on one of the inputs or resources used in the process of fishing.

A. Economic

1. Distributional Effects

Many groups who do not benefit from fishery enhancement programs or who do not participate in fishing would bear some of the cost of the tax.

2. Efficiency Effects of the Mechanism

It is difficult to determine if this tax would result in a significant reduction in the efficiency of resource use, but there is no reason to assume that it would allow resources to be harvested at lower costs. In some fisheries, fuel costs (at current prices) are probably not a major variable in the fishermen's decision-making process. They would be fishing flat out even with small increases in fuel costs. It has been suggested that a significant increase in fuel costs might cause processors to sell fishermen subsidized fuel.

3. Administrative Simplicity and Cost

Administrative costs would probably be high.

4. Revenue Generated by the Mechanism

In 1986, the \$.05/gal tax yielded approximately \$5.3 million. The vast majority of these taxes are paid by the fishing fleet. All of the receipts from this tax currently go into the General Fund. A significant change in the tax would be required to generate revenues of a couple million dollars or more.

B. Public/Political Acceptance

Due to the distributional effects, it is likely that non-salmon users and non-fishing users of fuel would object.

C. Legal Feasibility

Uncertain, without Attorney General decision.

D. Short-Term Solution or Long-Term Solution

Considerable public debate and some new legislation would probably be required. This implies that this is a long-term solution.

E. Land Status

N/A

VI. Create a Landings Tax

General: A landings tax for salmon would be similar to the Raw Fish Tax. Its main difference is that it would be levied directly on the fishermen instead of being paid by processors. The tax would be based on an assessment per pound of fish, or per fish. The tax per piece or per pound might be structured to vary by species harvested, so that enhancement-produced species were more heavily targeted. Since it would be a new tax, it would not be subject to the reallocation formula used for the Raw Fish Tax.

A. Economic

1. Distributional Effects

There is a good chance that this tax could be imposed on predominantly enhancement-produced fish. A fixed poundage tax would bear harder on fishermen with dry holds landing fish for canning than on fishermen with RSW holds landing fish for frozen or fresh markets. This may actually be a positive feature, if one's goal is to encourage higher-quality production.

2. Efficiency Effects of the Mechanism

The efficiency effects would be similar to the Raw Fish Tax in that it would encourage efficient resource use.

3. Administrative Simplicity and Cost

The administration of the tax would be at least as costly as the Raw Fish Tax, and quite complex. It might be hard to make projections of the revenues from the tax, as the revenues would vary with

uncertain run sizes. The tax relation to gross and net revenues could vary the fish prices dramatically. One cent per pound on \$0.40-per-pound pink salmon in 1981 is a much lighter tax than one cent per pound on \$0.20-per-pound pink salmon in 1982.

4. Revenue Generated by the Mechanism

As in the Raw Fish Tax, considerable revenue could be generated by the tax. If the landed value tax was highly concentrated on areas with a high portion of enhancement-produced fish, then \$1 to \$2 million a year of revenue is not unreasonable.

B. Public/Political Acceptance

Probably this approach would have a low level of fishermen acceptance.

C. Legal Feasibility

Clearly, there is little information on the legal feasibility of the landed value tax. It will be necessary to contact the Attorney General's Office on this issue if this option is to be considered further. Considerable legislative work would be required.

D. Short-Term Solution or Long-Term Solution

Considerable work with user groups and legislation would be required to implement any variation of the Landed Tax Assessment.

E. Land Status

N/A

VII. Increase the Aquaculture Assessment (Enhancement Tax) and Have the New Receipts Directed into the FRED Division

General: An aquacultural assessment is collected from the payment to fishermen for raw fish, which is automatically withheld by the processor. The tax then goes into the General Fund, which is later appropriated to the Department of Commerce and Economic Development (DCED). DCED then distributes the receipts back to the association. One modification of the tax might be to distribute the tax to hatcheries by vote of the appropriate regional association. Some of the tax receipts could also be contributed to an enhancement authority for distribution.

A. Economic

1. Distributional Effects

This would also be identical to the landed value tax.

2. Efficiency Effects of the Mechanism

The efficiency of the assessment increase would be identical to the Raw Fish Tax in that it would increase the efficiency of resource use.

3. Administrative Simplicity and Cost

Uncertain without further review.

4. Revenue Generated by the Mechanism

The estimated revenue for FY 87 is approximately \$2.8 million. A doubling of the existing assessment would yield \$5.6 million.

B. Public/Political Acceptance

Uncertain without further review.

C. Legal Feasibility

Uncertain without further review.

D. Short-Term Solution or Long-Term Solution

Uncertain without further review.

E. Land Status

N/A

VIII. Increase the Commercial Fishing License Fee (such as through the Entry Permit Renewal Fee mechanism) and Distribute a Portion of the Program Receipts to FRED Operations

General: The Commercial Fisheries Entry Commission (CFEC) has investigated the feasibility of using the entry permit renewal fee as a mechanism to fund the Permit Buy Back Program. Proposed legislation has been written by the commission that could apply to the financing of any management or enhancement activity. This approach has also been implemented recently by the Canadian Department of Fisheries and Oceans for the Pacific salmon fleet.

A. Economic

1. Distributional Effects

Distributionally, the fee could be adjusted to each fishery so that it is proportioned to the hatchery activity affecting that fishery. There are certain drawbacks, however. Each fisherman

would bear the burden of the program equally. This would be regressive in the case of the fishermen in poverty. In addition, lowliners who might not be benefiting from the hatchery as much as highliners would nevertheless have to pay the same fee.

2. Efficiency Effects of the Mechanism

This approach should enhance the efficiency of resource utilization and preserve some of the rents from the activity.

3. Administrative Simplicity and Cost

- A. Revenue Generated by the Mechanism
- B. Public/Political Acceptance
- C. Legal Feasibility
- D. Short-Term Solution or Long-Term Solution
- E. Land Status

IX. Create a Terminal Area License Fee

General: A Terminal Area License Fee gives fishermen the alternative to fish in a controlled area of the fishery for a fee. The system would be different from other forms of cost recovery since the fisherman exercises his freedom of choice in making an economic decision of whether to enter the fishery or not. The system would be applied to areas that have a high portion of enhancement-produced fish and would only be open to users with valid entry permits. Another variation on the license fee would be for fishermen to bid for the rights to enter the fishery.

A. Economic

1. Distributional Effects

The cost of the projects would be directly borne by the fishermen who perceived that they would benefit most from entry to the terminal area. Some distributional effects would occur, since some traditional fishermen who were not willing to pay to gain access to the fish would go elsewhere.

2. Efficiency Effects of the Mechanism

The mechanism would probably be as efficient as the Raw Fish Tax. Fishermen would not voluntarily pay for the rights to harvest salmon in an exclusive area unless they determined that gross receipts would exceed all costs.

3. Administrative Simplicity and Cost

This method would probably be costly to administer relative to the amount of revenue generated.

4. Revenue Generated by the Mechanism

Since the approach would be suited to sites with terminal fishing areas or a high fraction of hatchery-produced fish, the amount of revenue that could be generated is small (relative to total program costs). To generate significant amounts, revenue license fees would have to be substantial. At \$1,000 each for 200 seiners at Hidden Falls, the program receipts would be on the order of \$200,000.

B. Public/Political Acceptance

While this concept has not been introduced to Alaska's fishing industry, it may have low user acceptance.

C. Legal Feasibility

The legal implications of using program receipts collected from a terminal area license fee in the FRED Division is uncertain. A bill passed the Senate last year, formerly called HB 263 (still in the Natural Resources Committee in the House), that broadens the definition of program receipts and might allow for much more active financing of FRED projects. This alternative would have to be reviewed by the Attorney General's Office.

D. Short-Term Solution or Long-Term Solution

Since the legal and public acceptance questions on this financing mechanism remain unanswered, it is doubtful that any form of the terminal area license fee could be implemented quickly.

E. Land Status

N/A

X. Increase the Recreational Fishing License Fee, or Have a Supplemental Fee for Hatchery Fish and Earmark a Portion of the Program Receipts to FRED

General: Existing work on willingness to pay for non-resident sport fishermen in the Pacific Northwest would indicate that these users are willing to pay far more for the rights to harvest Alaskan salmon. Increasing non-resident fees may be an effective way of exporting some of the costs of fishery enhancement. Another alternative is

to increase both non-resident and resident license fees. Currently, all license program receipts are channeled into the Division of Sport Fish.

A. Economic

1. Distributional Effects

In the case of the non-resident fishermen, an increase in the fishing fees would redistribute a portion of the net benefits of the harvest into the state treasury. With any increase in the license fee, the burden of the enhancement projects would be shared evenly by most fishermen, but the benefits of the projects would be borne unevenly.

2. Efficiency Effects of the Mechanism

From an Alaskan accounting perspective, increasing non-resident fees would probably be an efficient method of collecting some of the rent from the fishing experience that is created by FRED's enhancement activities. Further study is required to ensure that the bulk of the tax/license burden is passed to the license holder and not to Alaskan businesses that depend on the recreational fishing industry.

3. Administrative Simplicity and Cost

4. Revenue Generated by the Mechanism

Substantial revenue could be generated by a small increase in recreational fishing fees. In 1986, 308,472 sport licenses were sold. If we assume that 250,000 salmon fishermen would buy a \$5.00 salmon stamp, this would generate \$1.25 million in revenue.

B. Public/Political Acceptance

A bill for increasing general recreational user fees was submitted but not passed in the FY 88 Legislative Session.

C. Legal Feasibility

Some legal constraints exist to passing on some of the costs of fishing enhancement to non-residents. They include federal guidelines on taxing authority that do not allow more than a 3:1 ratio of non-resident to resident license fees. Also, most of the funds from license fees for recreational fishing are now appropriated for Sport Fish Division.

- D. Short-Term Solution or Long-Term Solution
- E. Land Status
- XI. Create a Subsistence or More Aggressive Personal-Use License Fee

General: Further study on this option is required.

- A. Economic
 - 1. Efficiency Effects of the Mechanism
 - 2. Distributional Effects
 - 3. Administrative Simplicity and Cost
 - 4. Revenue Generated by the Mechanism
 - B. Public/Political Acceptance
 - C. Legal Feasibility
 - D. Short-Term Solution or Long-Term Solution
 - E. Land Status
- XII. Creation of an Enhancement Authority

General: A summary of the legislative work on a proposed enhancement authority has been compiled by Brad Pierce of the House Research Agency. Pierce has also been requested by Director Allee to assist in detailing "Enhancement authorities were originally conceived as pass-through vehicles, the basic idea being to create a quasi-public entity that could qualify to restore Alaska's then depleted salmon runs." There was some discussion about giving these authorities taxing and bonding powers, in effect creating a third salmon production unit separate from the ADF&G, FRED, Division and the PNP hatchery systems, but in its final form, the legislation did not provide these powers.

- A. Economic
 - 1. Distributional Effects

Uncertain without further definition of program.
 - 2. Efficiency Effects of the Mechanism

The economic efficiency of the administrative mechanism of an enhancement authority is impossible to evaluate without detailed study of how it would function. Since it is doubtful that any agency could exist solely on the basis of voter-approved bonds, some type of financing

mechanism(s) would be required to fund its activities. Presumably, some of the same options evaluated in this exercise would be considered.

3. Administrative Simplicity and Cost

Uncertain without further definition of program.

4. Revenue Generated by the Mechanism

Uncertain without further definition of program.

B. Public/Political Acceptance

Uncertain without further definition of program.

C. Legal Feasibility

D. Short-Term Solution or Long-Term Solution

E. Land Status

XIII. Harvest of Fish by FRED and Direct Sale by Government

General: Even the most careful directing of commercial fishery gear and sport fishing effort to salmon fisheries may result in sustained underharvests of some fish stocks. Stocks that are produced from state-owned hatcheries generally are fully exploited. A few hatchery stocks do consistently have surpluses at the hatchery terminal harvest area or in the freshwater locations. It is technically feasible for FRED Division to collect the fish in terminal harvest areas. Collection would probably be similar to methods used for cooperative agreements at a few state facilities.

A. Economic

1. Efficiency Effects of the Mechanism

2. Distributional Effects

3. Administrative Simplicity and Cost

4. Revenue Generated by the Mechanism

B. Public/Political Acceptance

Major objections have been voiced by the fishing community to state harvest and selling of adult fish.

C. Legal Feasibility

D. Short-Term Solution or Long-Term Solution

E. Land Status

IXV. Selling Immature Fish and Fish Products (e.g., live fish and eggs to fish farmers, unripe eggs, carcasses)

General: Excess carcasses from facilities have economic value and a range of contracts exist for competitive bidding on spawned fish. The state also sells green and eyed eggs to PNP operators for broodstock development purposes. If fish farming legislation is passed, the sale of juvenile fish could become a revenue-producing activity. This would be conducted like any other service, where a fair price is established for the value of the juvenile fish. The recipients would be billed according to the number requested and available.

A. Economic

1. Distributional Effects
2. Efficiency Effects of the Mechanism
3. Administrative Simplicity and Cost

The existing sales probably require less than 6 man months of labor in FRED per year. The development of a salmon farming program would result in small administrative increments to handle sales. The hatchery program could see increases in operating costs if egg takes were dramatically increased.

4. Revenue Generated by the Mechanism

Determine present revenue from egg and carcass sales.

B. Public/Political Acceptance

C. Legal Feasibility

Adequate statutory authority and legislative intent exists for all of these activities, except the sale of fish to fish farmers. Fish farming is presently not authorized by statute.

D. Short-Term Solution or Long-Term Solution

This option may be both a short- and long-term option.

E. Land Status

XV. Charge for Consultant Fees for Specialized Services of FRED Division (fish culture expertise, bioengineering, pathology, etc.)

A. Economic

1. Efficiency Effects of the Mechanism
 2. Distributional Effects
 3. Administrative Simplicity and Cost
 4. Revenue Generated by the Mechanism
 - B. Public/Political Acceptance
 - C. Legal Feasibility
 - D. Short-Term Solution or Long-Term Solution
 - E. Land Status
- XVI. Visitor Fees for Hatcheries (e.g., charge for tour companies, gate fee, hatchery literature, fish food for hand feeding low-risk lots of fish)
- A. Economic
 1. Distributional Effects
 2. Efficiency Effects of the Mechanism
 3. Administrative Simplicity and Cost
 4. Revenue Generated by the Mechanism
 - B. Public/Political Acceptance
 - C. Legal Feasibility
 - D. Short-Term Solution or Long-Term Solution
 - E. Land Status
- XVII. Create Mechanism to Accept Grants from Local Support Groups and Individual Donations
- A. Economic
 1. Efficiency Effects of the Mechanism
 2. Distributional Effects
 3. Administrative Simplicity and Cost
 4. Revenue Generated by the Mechanism
 - B. Public/Political Acceptance
 - C. Legal Feasibility

The authority of ADF&G to receive these type of funds should be addressed by the Attorney General's Office.

D. Short-Term Solution or Long-Term Solution

both

E. Land Status

N/A

XVIII. State-Operated "Catch Out" Operation for Trout

A. Economic

1. Efficiency Effects of the Mechanism

2. Distributional Effects

3. Administrative Simplicity and Cost

4. Revenue Generated by the Mechanism

B. Public/Political Acceptance

C. Legal Feasibility

D. Short-Term Solution or Long-Term Solution

E. Land Status

IXX. Reschedule Debt on Public Hatcheries/Use for Operating Costs

General: Each year the State of Alaska pays interest and principal on over \$50 million in bonds sold to build public hatcheries. It might be possible to refinance the bond debt and use the savings of the treasury to finance continuing operating costs. This option is being investigated further, but the legality of the refinancing is not known at this time. An issue to resolve in the feasibility of refinancing would be the overall effect on the state's bond rating. Also, most bonds were sold at extremely low interest rates. It might be difficult to refinance at comparable interest rates.

A. Economic

1. Distributional Effects

2. Efficiency Effects of the Mechanism

3. Administrative Simplicity and Cost

4. Revenue Generated by the Mechanism

- B. Public/Political Acceptance
- C. Legal Feasibility
- D. Short-Term Solution or Long-Term Solution
- E. Land Status

APPENDIX A

Tools for Measuring the Social and Economic Consequences of
Cost Recovery Options

In issues involving taxing mechanisms, user fees, or altered forms of ownership, there are some economic criteria available for measuring the social and economic consequences of recovering costs. It is suggested that all cost-recovery options be evaluated with these criteria that include the efficiency of the mechanism; the distributional effects, the administrative simplicity and cost, and the revenue generated. Other social and political criteria include the public and political acceptance, the legal feasibility, the time required to implement, and the land status implications. This procedure of applying meaningful criteria to a series of options is an aid to informing the public of how the options affect their welfare.

1. The Efficiency of the Mechanism

There are many approaches that have been applied by other states and governments for recovering costs of fishery enhancement. Each of the approaches may have a different effect on the efficiency of resource use. There are three obvious areas of efficiency that could be affected by financing mechanisms: the revenues of fisheries, the costs of fish harvesting, and the public costs of fisheries enhancement. A new or altered tax, for example, may change the net market value of a fishery resource. The costs of fish harvesting may be reduced by more efficient means than the common-property fishery. Finally the operating costs of hatcheries might be reduced due to privatization of hatchery operation. Sometimes the application of informed reasoning can reveal the efficiency consequences of an alternative. More rigorous methods of estimating changes in welfare of the harvesting sector, such as benefit/cost analysis, can also be applied to answer efficiency-related questions.

2. The Distributional Effects of the Mechanism

The incidence of taxes are important because a new or altered tax may impose costs on those never intended to pay for the use of a resource. A tax can be borne mostly by the first-level producer (the fishermen) or higher levels of producers/consumers (processors through the final consumer). The distribution of both personal income and employment of those involved in the fishing industry can be changed according to the structure of the mechanism.

3. Revenue Generated from the Mechanism

The structure of the financing mechanism itself is critical because it determines if the tax, user fee, or altered form of ownership is feasible from a purely cost-accounting standpoint. This step evaluates whether the revenue generated not only exceeds the cost of administering the mechanism, but whether the program receipts will significantly offset the FRED program costs.

4. Administrative Simplicity and Cost

Some of the government costs that must be considered in the analysis are the cost of enforcing and auditing the mechanism. Too often the step of insuring adequate tax revenue generation is the only consideration government may address in the imposition of a new tax.

5. Political/Public Acceptance

The ease with which new legislation might be introduced to and sold to fishermen and other fishing industry groups will influence the feasibility of the option.

6. Legal Implications

Legal questions such as the ability of the State of Alaska to dedicate funds from recovered costs or to define recovered costs as program receipts are critical to the decision-making process.

7. Land Status

Some of the ownership issues of the options involve land status implications. Of 20 state-owned hatcheries, only 2 are on state land.

ATTACHMENT B
House Research Memorandum 87.193



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 20, 1987

MEMORANDUM

TO: Representative C.E. Swackhammer

ATTN: Tom Wright

FROM: Brad Pierce *BP*
Legislative Analyst

RE: Fisheries Enhancement Authorities
Research Request 87.193

You requested this agency to supply some general information on fisheries enhancement authorities (AS 16.10.600-620). Specifically, you wanted to know the legislative intent behind House Bill 264 (Chapter 154, SLA 1977) which established the mechanism for creating enhancement authorities, how authorities are organized, whether they have taxing and/or bonding authority, who could serve on the board of commissioners, what kind of legislative review of activities would be required, who is accountable for the authority and what problems might be encountered in setting up enhancement authorities. You also asked that we discuss the pros and cons of setting up authorities in relation to the current system of public and private non-profit hatcheries in the state. In further discussion with your office, I learned that you are interested in how the establishment of enhancement authorities could prevent the closure of publicly operated salmon hatcheries as proposed in Governor Cowper's FY 88 budget.

A copy of the relevant statutes is included in Attachment A. We sorted through committee files in the Legislative Library and listened to tapes of the committee hearings in which HB 264 was discussed to gain an understanding of the history and intent of the legislation. Additionally, we spoke with several individuals who were involved in the issues which HB 264 was designed to address to utilize their institutional memory and gain some perspective on where enhancement authorities might fit into the overall scheme of Alaska's salmon enhancement program.

House Bill 264

The original enhancement authority legislation (Senate Bill 39) was sponsored by Senator Kerttula in the 1977 legislative session. The enhancement authority idea was subsequently incorporated into HB 264, sponsored by

Representative Gardiner, which went on to pass (SB 39 expired in the Senate Finance Committee). The main thrust of HB 264 was to clean up several sections of Title 16 relating to commercial fishing and enhancement loans and to clarify the assessment powers and procedures of regional aquaculture associations.

In the mid-1970s when this legislation was passed, Alaska's salmon runs were severely depressed and something of a crisis situation existed. The commercial fishing industry, the Governor's Office and the legislature were searching desperately for methods to finance enhancement projects. After the legislature authorized the formation of private nonprofit (PNP) regional aquaculture associations in 1976, the focus turned to getting the PNP system up and running. It appears that the enhancement authority concept was viewed as an idea that could be developed through further legislation if and when it became necessary, in much the same manner that several provisions in HB 264 corrected flaws in the enabling legislation that set up the financing mechanisms (enhancement loans, aquaculture assessments) for Alaska's PNP hatchery system.

Enhancement authorities were originally conceived as pass-through vehicles, the basic idea being to create a quasi-public entity that could qualify to receive federal economic development grants to build hatcheries to help restore Alaska's then depleted salmon runs. There was some discussion about giving these authorities taxing and bonding powers, in effect creating a third salmon production unit separate from the Alaska Department of Fish and Game, Fisheries Rehabilitation and Enhancement Division (FRED) and the PNP hatchery systems, but in its final form, the legislation did not provide these powers. The regional aquaculture associations were left with exclusive assessment powers and the legislature authorized the issuance of bonds (which voters overwhelmingly approved) in 1976 and 1978 to pay for the operation and construction of FRED hatcheries and other enhancement projects. Both FRED and the PNP regional aquaculture associations have since received federal funds at various times for hatchery construction and operation.

Thus, the enhancement authority statutes have never been utilized. In our research of the conception of enhancement authorities, it appears that the idea was never fully developed. In the committee hearings on HB 264, none of the testimony articulated how enhancement authorities would mesh with public or private hatchery development or provided details of how they would operate. The resulting State statutes leave the choices of who is to serve on the regional enhancement authority board of commissioners, their term of office and filling of replacements to the discretion of the regional aquaculture associations. Therefore, aside from providing the above summary of the testimony surrounding HB 264 and a copy of the statutes, we are unable to answer your questions about the workings of enhancement authorities in any detail.

Enhancement Authorities in Relation to the Present System

There are short and long-term aspects to the relationship of enhancement authorities to the present system of public and private nonprofit hatcheries in Alaska. Governor Cowper's FY 88 proposed budget would force the closure of four FRED hatcheries and eliminate 15 full-time and 27 part-time positions. The short-term problem is how to keep at least two of these facilities in operation. The long-term issue involves the institutional relationship between FRED and the PNPs and how to maintain a high level of hatchery production and an economically viable aquaculture industry in the face of declining State revenues. We discuss each of these aspects in this section.

The hatcheries slated for closure in the Governor's proposed budget, their locations and the amount the State would save by closing them are listed below:

<u>Hatchery</u>	<u>Location</u>	<u>Net Savings¹</u>
Russell Creek	Cold Bay	\$ 304,600
Sikusuilag	Noatak	360,600
Cannery Creek	Prince William Sound	200,000
Tutka	Kachemak Bay	262,100
Total		\$ 1,127,300

* * * *

The Russel Creek facility has had severe design problems and has not been in production for the past two years, which makes it a logical candidate for closure.² The Sikusuilaq hatchery was designed as an experimental facility to test the feasibility of raising chum salmon in the area. It has reached the end of the experimental phase of operation and would require a large capital expenditure to increase production from its present two million egg capacity to a cost-effective 40 million egg capacity. Another experimental operation--the Karluk streamside incubation facility on Kodiak Island--is not listed in the table above but is scheduled to be shut down in FY 88. If this project is not moved to a new site and continued, the State will save \$206,600. These three projects are obvious candidates for closure in the current budget crisis.

¹There is some money included in the FY 88 proposed FRED budget for closing these facilities. The savings listed are net of these closure costs.

²FRED won a \$2.5 million lawsuit against the design contractor for this facility, which has been used to fund work on the hatchery for the past two years.

Closure of the Cannery Creek and Tutka hatcheries is more problematic, as they are important to the fisheries of their respective regions. These are primarily pink salmon facilities and this species is being deemphasized as a matter of FRED policy. It is doubtful that either the Cook Inlet Regional Aquaculture Association (Tutka) or the Prince William Sound Regional Aquaculture Association (Cannery Creek) would want to take over operation of these facilities. Aside from the assessment tax on the commercial catch of fish returning to these facilities (and which the associations currently receive without incurring operating costs), there is no way to generate sufficient cost recovery at these hatchery sites to cover operations. Returns to the Cannery Creek hatchery are so intensively intercepted (nearly 90 percent in recent years) that FRED has trouble recovering enough eggs to stock it. Tutka does have a terminal harvest area but returns are not nearly large enough to cover operating costs.

Given the underlying economic problems cited above and the current State budget crisis, it is doubtful whether the statutes authorizing the creation of enhancement authorities can be used to keep these hatcheries open. The enhancement authority concept is simply not well enough developed to be of much immediate use. According to Brian Allee, FRED Director, an intermediate solution involving the cooperative operation of the Cannery Creek and Tutka hatcheries by FRED and the regional associations may keep these facilities open in FY 88.

We have attached (Attachment B) a copy of a recent position paper on the possible transfer of FRED hatcheries to regional aquaculture associations. The paper was developed jointly by the four active regional aquaculture associations. This paper gives general guidelines on the conditions under which the regional associations would be willing to take over the operation of FRED hatcheries. One of the chief conditions is that the associations must be able to choose which hatcheries they wish to operate so as not to be saddled with unproductive facilities. Under this condition, it is doubtful that either Cannery Creek or Tutka would be a candidate for transfer.

There appears to be something of a consensus (among those with whom we spoke) that we are at an institutional impasse in Alaska's public and private hatchery programs. The situation begs for a larger solution than the piecemeal closure of hatcheries or transferring selected public hatcheries to the private sector. As part of a more general, long-term solution to the institutional and financial problems of Alaska's hatchery systems, the creation of enhancement authorities may be a workable idea insofar as it does not simply add another layer of bureaucracy.

In the long-term, there is a question of whether State government should be in the hatchery business at all. Alaska's unique system of private nonprofit hatcheries was designed to apply private sector initiative to the production of salmon on the assumption that the private sector can produce

fish more efficiently than State government. Autonomous enhancement authorities would require taxing and/or bonding powers and would probably have boards of directors that represent all of the various user groups in a particular region. If authorities had administrative control over operations of all (currently) public and private hatcheries, they might be able to allocate the costs and benefits of salmon production from hatcheries (such as Tutka and Cannery Creek) more equitably than occurs under the current system.

The institutional and financial problems facing Alaska's hatchery systems deserve careful study. The budget problems cited above are only the tip of the iceberg and will get much worse in the future as State revenues decline and the Fisheries Enhancement Revolving Loan Fund continues to be drawn down. Unless a more general solution to these problems is found, several more public hatcheries will be closed in coming years and private nonprofit hatcheries will face financial problems as well.

We suggest that the institutional and financial crisis facing Alaska's hatcheries and options for dealing with it might be an appropriate topic for an interim report by this agency or a cooperative effort with FRED and the regional aquaculture associations. I do not think that we can do justice to the subject in a short memorandum. I regret that we have not been able to answer your questions in full. Please call if you have questions.

Attachments

ATTACHMENT C
Priority List of Projects and
a 1984 Benefit/Cost ranking list

PRIORITIZED PROJECT LIST
 ABOVE \$25,000
 24-Sep-87
 18:25 AM

Holland - official copy

PROJECT	CODE	PROJECT OBJECTIVES	GENERAL (G.F. 1 D-J U.S. / USFS)	INADRO (PROGRAM)	INTER (PROJECT)	TOTALS	INCREMENT COMPONENTS
PROJECT	CODE	PROJECT OBJECTIVES	FUNDS	INADRO	INTER	TOTALS	INCREMENT COMPONENTS
1 SNETTISHAM	8401	INCREMENT TO EXPAND CHUM SALMON PRODUCTION AT SNETTISHAM FROM 80 TO 115 MILLION CHUM SALMON EGGS.	271.2			271.2	TO INCREASE CHUM SALMON PRODUCTION BY 175 MILLION EGGS
2 TRAIL LAKES	2901	112 M. SOCKEYE EGGS TO PRODUCE 75,000 ADULTS. 780 K. COHO EGGS FOR LAKE AND STREAM STOCKING. 280 K. CHINOOK FINGERLING FOR LAKE STOCKING. EVALUATE SOCKEYE PLANTING AT HIDDEN LAKE	325.7			325.7	TRAIL LAKES HATCHERY AT \$295.6
3 STATEWIDE SOCKEYE	5501	120 M. SOCKEYE EGGS INC. IN CIF AT SNETT, FRY PLANTED IN ASE LAKES. SC. SET UP PILAR CRY FACILITY, EXPAND GULKANA SOCKEYE BY 5 M. SOCKEYE EGGS, ADD NEW GULKANA SITE FOR 2.5 M. SOCKEYE (300M. CHINOOK. PRESTOCKING INVESTIGATIONS ON SPIRIDON LAKE. VIRGINIA LAKE SOCKEYE TO TAKE 3 M. EGGS, INCUBATE AT BFH AND RETURN FRY. PRESTOCKING INVESTIGATIONS ON MCNEIL LAKE.	396.1			396.1	150000 CIF SNETTISHAM \$201.4, 400000 SOCKEYE \$11.0, SPIRIDON LAKE \$28.7, GULKANA \$82.9, VIRGINIA LAKE \$33.5, MCNEIL LAKE \$30.0
4 TECHNICAL SERVICES	5201	TECHNICAL SUPPORT FOR T&L, SE, PATHLAB AND SNETTISHAM ESTUARINE SURVEY. USER ACCESS TO DISEASE HISTORY DATABASE.	52.0			52.0	1045.0 TAG LAB \$11.2, EDITOR \$10.0, ENTRY CLERK FOR SE PATHLAB \$15.0, SNETTISHAM ESTUARINE SURVEY \$15.0
5 RBT TROUT PRODUCTION	2511	SUPPORT RAINBOW TROUT INVESTIGATIONS IN PRODUCING ALL FEMALE BROOD AND IN INDUCING TRIPLOIDY, WILL PRODUCE 50K CATCHABLE RAINBOW TROUT AND 300 K RAINBOW FINGERLING FOR PLANTING (SC)	88.5			88.5	1125.5 ALL FEMALE PROOD \$15.0, MORE RBT \$23.8, TRIPLOID \$10.0, 150 K RBT CATCHABLES & 300 K RBT FINGERLING \$31.1,
6 CI CHINOOK AND COHO	2712	WILL PRODUCE 200 K CHINOOK SMOLT FROM ELMENDORF, 90 K COHO SMOLT FROM FT RICH, NINILCHIK CHINOOK EGGS TAKE OF 300 K EGGS, BIG LAKE COHO 2.5 M. COHO TO PRESOLT RELEASE.	144.0			144.0	1269.5 1200 K CHINOOK SMOLT FROM ELMENDORF \$31.7, 70 K COHO SMOLT FROM FT RICH, \$25.0, NINILCHIK CHINOOK EGGS TAKE \$10.3, BIG LAKE COHO \$25.0
7 FISH CULTURE PROD. TECH.	5512	IFRED DIVISION IS STRIVING TO MAXIMIZE FISH PRODUCTION AND MINIMIZE COSTS. OPPORTUNITIES EXIST TO INCREASE THE EFFICIENCY OF FACILITIES THROUGH TECHNOLOGICAL DEVELOPMENT IN SPECIFIC AREAS. THIS PROJECT PROVIDES FOR ADVANCING FISH CULTURAL TECHNOLOGY IN BOTH REGIONS.	146.3			146.3	1415.0 REGION II CHILLED WATER \$30.0, REGION II WATER DEPURATION STUDY \$10.0, REGION I DEVELOPMENT \$34.0, IFT, RICH O2 CONTACTOR \$10.6, REARING MODELS \$0.5, BROOD DIET \$10.9,
8 SE PATHOLOGY LAB	5212	SUPPORT FOR INCREASING WORKLOAD AT SE PATHOLOGY LAB, WORKLOAD INCREASE RELATED TO CHINOOK HATCHERY ADD-ON.	57.4			57.4	1472.2 MICRO II \$42.0 AND 60M DATA ENTRY CLERK \$15.0
9 WILD STOCK ENHANCEMENT	5522	ASSESS AND CMT COHO IN TAIYA RIVER, SHAGWAY. CONNECT COHO PONDS TO CHILKAT RIVER, CONTINUATION OF A SUCCESSFUL PROGRAM. STUDY ASSESS. & LIFE HISTORY AT KALWOCK. CHILKAT RIVER KING CMT STUDY ASSESS MIGRATION PATH & TIMING.	100.0			100.0	1581.2 ASSESS AND CMT COHO IN TAIYA RIVER, SHAGWAY \$0.9 (CONEC. COHO PONDS CHILKAT RIVER \$10.0, STUDY ASSESS. & LIFE HISTORY, KALWOCK \$33.0, CHILKAT RIVER KING CMT STUDY, \$10.0
10 KODIAK MARICULTURE	5152	SHELLFISH MARICULTURE SUPPORT FOR KODIAK AREA	69.5			69.5	1650.7 SALARY AND EXPENSES FOR PROJECT PERSONNEL IN THE KODIAK AREA.
11 BRISTOL BAY REHABILITATION	5492	INCREASE SPAWNING AREA AVAILABLE TO SOCKEYE SALMON THROUGH BEAVER DAM REMOVAL. WORK WOULD BE CONTRACTED TO LOCAL COMMUNITIES WITH EMPHASIS IN THE ILIADNA AREA.	30.0			30.0	1680.7 EXPENSES INVOLVED IN REMOVING ALREADY IDENTIFIED PROBLEMATIC BEAVER DAMS
12 SUMMER STEELHEAD TRANSPLANT	5402	TRANSPLANT OF SUMMER STEELHEAD STOCK FOR SITUK RIVER	30.0			30.0	1710.7 TRANSPLANT OF SUMMER STEELHEAD STOCK FOR SITUK RIVER PROJECT COSTS
13 TULKISAK ENHANCEMENT	5472	CHINOOK SALMON ENHANCEMENT THROUGH INSTREAM INCUBATION OF 100K EGGS.	30.0			30.0	1740.7 PROJECT COSTS
14 LPW FISH FARMING	502	EXPERIMENTAL WORK ON PEN REARING OF CHINOOK SALMON	60.0			60.0	1800.7 PROJECT COSTS
15 HIDDEN FALLS	1302	172.5 M. CHUM EGGS TO PRODUCE 1.9 M. ADULTS; 3.1 M. CHINOOK EGGS TO PRODUCE 50K ADULTS; PROVIDE UP TO 45 M. CHUM EGGS TO PRIVATE PRODUCERS.	906.3		125.0	1111.3	12912.0 HATCHERY EXPENSES \$1073.0
16 KITOI	3902	190 M. PINK EGGS TO PRODUCE 1.4 M. PINKS; 11 M. CHUM EGGS TO PRODUCE 170 K. CHUM; 1M COHO EGGS TO PRODUCE 9 K. COHO.	514.7			514.7	13426.7 HATCHERY EXPENSES \$23.4, 40M FBIV \$20.0, 40M CT \$10.0
17 CANNERY CREEK	3502	1100 M. PINK EGGS TO PRODUCE 1.7 M. PINKS	455.5			455.5	13882.2 HATCHERY EXPENSES \$31.6, 40M FBIV \$20.0, 40M CT \$10.0

Table 3. The following three sets of project rankings are modified from a previous benefit/cost analysis of FRED Division. The b/c analysis was aimed at a global look at the statewide enhancement program.

Rankings for State owned facilities that Predominantly Produce Fish for the Commercial Fishery

Hatchery	net benefits	Cost	Benefits (Gross)	B/C ratio
Main Bay	28957	8416.9	37373.6	4.44
Hidden Falls	12952	9020.2	21971.9	2.44
Kasilof	6572	8949.7	15521.6	1.73
Kitoi Bay	4806	6591	11396.6	1.73
Cannery Creek	3911	7196.9	11108.1	1.54
Tutka	1184	6398.7	7582.2	1.18
Klawock	1179	6889	8067.9	1.17
Karluk	619	3743.8	4362.3	1.17
Russell Cr	-2708	8406	5698.1	0.68
Beaver Falls	-3276	3700	424.1	0.11
Sikusuilaq	-5163	5180.9	18.3	0.00
Gulkana	NA	NA	NA	NA

Rankings for Predominantly Sport Fishery Facilities

Hatchery	net benefits	Cost	Benefits (Gross)	B/C ratio
Elmendorf	45466	7292.8	52759	7.23
Clear AFB	40280	5981.2	46262	7.73
Ft. Rich	37006	12289.4	49295	4.01
Crystal Lake	28021	8659.6	36681	4.24

Rankings for facilities With mixed commercial and sport production

Hatchery	net benefits	Cost	Benefits (Gross)	B/C ratio
Snettisham	63770	9375.7	73145.7	7.80
Deer Mountain	23042	3685.5	26727.5	7.25
Big Lake	22641	6051.1	28692.1	4.74
Trail Lake	11950	11791.5	23741.5	2.01

Funding

Jim Biggin - leg audit

4 components:

early Nov.

1) tax equity -

who pays & who benefits

table or listing by gear group by assoc. -

value = # of fish -

2) how much contribution to common property fishing
table -

can't know how reliable?

3) degree in which set taxes -

how much fish are non-assoc. members

putting out that assoc. gets tax for.

reliability?

4) schedule of loans

how many pre-structured
operating loans -

way loans are prioritized -

minutes.

Exec Summary - need to revise based on chapters.

Introduction - revise.

hatching

History chapter - OK. - get disk from Leg Res.?

Production - being updated by leg res.
Maine Glad. - call Monday.

Mgmt - ^{\$500,000 funding last year. Purchasing bldgs in}
^{Amherst - CIPD health & CWT tag lab. \$1.1m - #50 on dept. list.}
update w/ GS1 funding & wild stock priority.
anything new on tagging * muscivore,
scholar under

Legal - clarify wild stock priority
written intro - that as is left as written
change option

Plan & permit - based on new studies - support
statewide planning.

for research permits - has proposed policy
been adopted? close to being adopted. - further modifications.
Canadian evaluation.

Biological - include Ohio report + response
from ADF & G. - has ^{state} genetics policy finished
being revised? next year - Jim Sub.

Funding - include leg res. info

Econ - new chapter

Marketing - check w/ Kim. - Dec. 28.
other issues -

50 mu/mo
↑ in utilities
+ taxes.

No tabs -
paginate
all the
way
through
table of contents.
take draft
off.

Kevin
O'Sullivan

in red

3 books

1- spec summary

2- ^{complete} report

3- appendices ~~public comments~~

4- econ. studies.

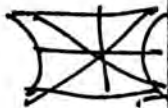
public comments - all in library -

additional

~~list of~~ attachments - 4
in back.

attachment - in body

appendix - separate



com.

* separate mailing *

finance com.

on 17

51.5

20

71.5

house - stay w/ Bob.
option on it next year.
Lillian - not down as much.
Dongles - stay in Bethel.
\$40,000 in sales.

new organ. - D's again - Ben together

Richard + Eileen - w/ Navarre.

→ Ramona.

* either co-chair of finance sales.

Eileen.

Richard + Eileen
Lillian

The Moe

Row + Richard.

Chignik - 1,470,223

NSRAA - 920,453

PWSA 478,089

SSRAA 1,225,246

2,794,551

Cook Inlet - none -

1,470,223

920,453

478,089

1,225,246

2,794,551

2.8m

FAX 