

SCOMM

75:18



Farmed Salmon Product Labeling

Sen. Dick Eliason's SB-531, establishing labeling and identification requirements for food products containing farmed salmon, passed out of Senate Finance last week. The bill was introduced to protect consumers concerned with chemical use in finfish farming, and to not taint the reputation of Alaska salmon as "wild and pur."

SB-137: Commercial Driver's Licensing

The House Transportation Committee reported out SB-137, requiring drivers to have commercial drivers licenses in order to drive commercial motor vehicles after April 1, 1992. The bill was introduced to put Alaska in compliance with the Commercial Motor Vehicle Safety Act of 1986, which conditions future federal highway funding upon adoption of a commercial vehicle driver licensing program. The bill now heads to the Finance Committee.

Spill Bills: Action on oilspill legislation continued in the House last week. House Judiciary voted out HB-565, penalties for pollution violations, with amendments. Judiciary increased dollars/gallon fines for some types of spills, and also dropped insurance requirements to cover potential penalties in certain cases. HB-567, contingency plan requirements, was due up in House Resources as this Digest goes to press.

Dalton Highway: House Transportation Committee is expected to act on Sen. Steve Frank's SB-366, providing for year-round, public access to the Dalton Highway, on Tuesday. Language suggested by Rep. Eileen MacLean is expected to be incorporated into a substitute version of the bill.

Land Reclamation (Cont.)

(Cont. from Pg. 7) in agency policies and key personnel. Under last year's "6i" legislation, regulations will be drafted late this year and in early 1991 by DNR, Alaska Dept. of Fish and Game and Dept. of Environmental Conservation. Also, Congress is virtually certain to include low-toxicity mining wastes in the federal Resource Conservation and Recovery Act reauthorization next year. If Alaska has a state mining reclamation program set in state statute (a regulations-based program may not be sufficient) Alaska could avoid reclamation standards set by the federal Environmental Protection Agency. (Cont. top right)

Land Reclamation Bill in House (Cont.)

The Senate bill would set specific requirements in statute relating to exemptions for small miners operating on five acres or less per year, and limit reclamation bonds to \$750/acre. *Probably most important, SB-544 would set a reclamation standard of avoiding "undue or unnecessary degradation" and for return of the site to stable condition consistent with the mining plan.* This is essentially the same standard now used by the Bureau of Land Management on federal lands administered by that agency. It is a fairly liberal standard, because it assumes that some degradation will occur. There are other standards that could be used, including restoring land to "equal or better" (required now under federal coal mining regulations,) or restoring to "beneficial use." Alaska Dept. of Fish and Game suggested a standard of "avoiding degradation."

Some indications as to how the House might look at this proposal: In amendments proposed (unsuccessfully) to Senate Resources, Alaska Dept. of Fish and Game suggested the reclamation standard focus greater emphasis on avoidance, restoration and "enhancement" (*editor's note: possibly off-site mitigation?*) of resources. The "undue or unnecessary" standard "maintains the status quo by accepting a level of impact consistent with industry norms," habitat director Frank Rue wrote in an agency memorandum, though he noted the standard "parallels (that of) Bureau of Land Management...and certainly can be used to obtain reasonable reclamation."

Fish and Game also criticized the exemption of miners using five acres per year, noting this exceeded BLM's exemption of five cumulative acres. "A substantial percentage of the state's mining operations would fall under (this) exemption," Rue noted. ADF&G also suggested enforcement authority for DNR in administering the program, including criminal and civil penalty provisions. Under existing authority, "blatant violations have taken years to resolve." Two other objections: The \$750/acre ceiling on bonds is inadequate, Ruse said, and specific provisions are needed to fund restoration of abandoned mines, or when an operator moves outside state jurisdiction.

Fish and Game did support three concepts in the Senate bill, however: Extension of reclamation requirements to private and federal, as well as state, lands, noting "advantages to adopting a uniform state program which avoids piecemeal regulation."

Budget action continues in House, Senate Finance Committees (Cont.)

(Continued from Pg. 1) levels recommended in the Governor's budget, with the possible exceptions of municipal debt pickup and senior citizens' tax abatement. Capital budget totals are ranging from \$200-\$250 million as committee work proceeds, but if agreements between House and Senate can be worked out on using the Railbelt Fund, total capital spending could jump to over \$400 million. But there's sharp disagreement in the House over using the Railbelt Fund. The Majority Caucus is essentially split 50-50 over the \$240 million Railbelt Fund, what it should be used for or whether it should be used at all. Several major projects are riding on the outcome of this debate: A new-technology coal power plant at Healy, built mostly with federal research grants, still needs \$30 million in state matching funds; if \$9 million isn't allocated for a new coal train set for Alaska Railroad, Idemitsu Kosan may not be able to go ahead with development of the Wishbone Hill mine near Palmer. New buildings at the University of Alaska's Fairbanks and Anchorage campuses also ride on outcome

of this debate.

Those new revenue forecasts: \$200 Million More in 1990!

Dept. of Revenue's April revenue forecasts predicts, as expected, more money coming into the treasury from higher-than-expected oil prices. However, the recent slide in spot market prices has raised some concern that the administration's forecast may be too optimistic. *Here are the new figures, based on the "mid-range" revenue/price scenarios:*

Fiscal Year 1990

(current year):

\$2504.3 million (new estimate)

2295.6 million (former estimate)

Gain:

\$ 208.7 million

FY 1991

(begins July 1)

\$2428.2 million (new estimate)

2255.6 million (former estimate)

Gain

\$ 172.6 million

FY 1992

\$2527.1 million (new estimate)

2416.2 million (former estimate)

Gain

\$ 110.9 million

Oil price assumptions*

(ANS crude, U.S. West Coast
Gulf Coast prices averaged)

FY 1990

\$16.51 (former estimate, Oct. '89)
17.84 (new estimate)

FY 1991

\$17.73 (former estimate, Oct. '89)
19.52 (new estimate)

* Estimate is for the average prices prevailing during the fiscal year, and is used as the basis for estimating state oil and gas tax and royalty revenues, which provide 85% of total state revenues.

Oil Price Plunge

Meanwhile, the plunge in oil prices on spot markets has sent shivers through Juneau. New revenue estimates for Fiscal Year 1991, the budget for which is being written this spring, assumes an average price for North Slope oil of \$19.51 through the year (see article at left).

Last week, crude oil spot prices plunged \$2/barrel to \$13.20/bbl as this Digest goes to press. Each \$1 fall in oil prices decreases state revenues by about \$150 million.

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... Resources ...

Land Reclamation Bill to House

The Senate has sent a land reclamation bill (SB-544) with an unusually tight title to the House. The bill covers mining (including sand and gravel) on state, private (mostly Native corporation) and federal lands, and would include operations of the State Dept. of Transportation and Public Facilities. It's uncertain just what the House will do, given two weeks remaining in the session. The administration has been asked to draft a reclamation bill satisfactory to three key resource agencies, Dept. Natural Resources, Environmental Conservation, Fish and Game. DOTPF is unhappy with SB-544 and is pushing to be excluded. *One key objection of the House is that almost two-thirds of miners operating in the state would be excluded because of the limit of SB-544 to mines operating in more than five acres/year.*

From a practical standpoint, the bill would have relatively little impact on most private lands. Native corporations, in their private mining agreements, have more stringent requirements. Likewise, most federal reclamation requirements are at least equal. *Native corporations are still nervous about the bill, however. Their concern is not the requirements in the current legislation, but where state agencies may go with the issue.*

The title of SB-544 (Resources) is now very specific, and includes major points Senate Resources wants covered in statute. This gives the House fewer options for amending the bill than if the title were written with very broad language, as in the Senate bill as it was originally introduced. *If the House wants to move on reclamation this year, it could either work to make modifications to the existing Senate bill (even under the restrictive title, there are several options,) or it could develop its own bill with changes to the specifics of small-miner exemptions, bonds or the standard of reclamation.* If the latter course is followed, legislative procedures would require a new House bill to go back through the Senate.

It's late in the session to be tackling a controversial, complex issue like land reclamation. Resources Chair Sen. Bettye Fahrenkamp moved on it as a kind of pre-emptive strike, hoping to resolve key points before state agencies tackle new reclamation regulations next year, as they are required to do under a law enacted by the legislature last year. The coming change of administration will bring about changes (*Cont. Pg. 11*)

Forest Practices: House, Senate Action

As this *Digest* went to press, the House was expected to vote on HB-331, revising the state's Forest Practices Act. The bill was on the floor last Thursday; 15 amendments were offered, with only 2 passing. One amendment was technical in nature; the second, by Rep. Robin Taylor, makes notification to DNR of timber operations voluntary instead of mandatory. HB-331's companion, SB-317, was in a Senate Finance subcommittee as this *Digest* went to press. Some Senators had expressed concerns earlier about the make-up of the Board of Forestry. The word is that the Governor is actively seeking movement on the bill in Senate Finance.

Yakataga Refuge: HB-346, creating a state game refuge in the Yakataga area, passed the House last week by a vote of 31-8. The House Resources Committee also recently passed out HB-583, relating to management of the Yakataga area. A substitute was crafted by the Resources Committee, buying out the University's interests in two parcels, Cape Suckling and Yakataga, with a down payment to be made in a later appropriation. CSHB-583 also clears the White River tract for development, and has stronger planning language than its predecessor. HB-583's next stop is the House Finance Committee.

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Finfish Farming: The Senate Labor and Commerce Committee passed out HB-432, prohibiting finfish farming, last week. A statewide teleconference was held, and nearly everyone testifying—fishermen, environmentalists, and even a shellfish farmer—was in support of the bill. HB-432 next heads to the Senate Resources Committee.

Spruce Bark Beetles: Two bills relating to the spruce bark beetle infestation were to be heard by the House Finance Committee as this *Digest* went to press. HB-574 would appropriate \$1 million to DNR for building fire breaks and developing public consensus on how to treat state land on the Kenai Peninsula in order to control the fire hazards created by the infestation. HB-575 would exempt expenditures made to handle fire hazards from the state procurement code. HCR-45, which passed the Senate recently, supports the actions of an interagency task force of federal, state, and Kenai Peninsula Borough officials, in developing emergency responses to combat the problem. The resolution also urges the task force to broaden its efforts to include other affected areas of the state.

... Business ...

HB-409, DEC inspection bill, set for action on House floor

As this *Digest* went to press, the House was expected to vote on Rep. Mike Davis' HB-409, a controversial bill among development groups. The bill expands authority of Dept. of Environmental Conservation to do inspections of industrial sites, without consent in certain cases, as well as impose civil penalties for pollution violations. Supporters of the bill predict passage on the House floor. *But Senate attitudes toward the measure are uncertain. A similar bill, introduced by the administration, has been in Senate Judiciary Committee most of the session, with no action.*

Amendments may be offered on the House floor, attempting to gut the bill's provisions for nonconsensual inspections, and putting a cap on administrative penalties assessed by DEC. A somewhat softened version of HB-409 was passed out of the House Finance Committee recently. So much as been done to the bill that business groups privately say the bill is "almost acceptable." *But some interest groups hoping to kill HB-409 worry about the bill being "fixed up" enough that it will pass.*

Here are changes House Finance made to the bill:

- allows for only "relevant" records to be copied during inspections. This is intended to allay fears that DEC will go on 'fishing' expeditions, looking for documents;
- adds "financial and commercial information and records" to the list of types of information that would be held confidential after a DEC inspection;
- adds language that allows nonconsensual searches only to the extent authorized under the Alaska and U.S. Constitutions;
- further defines which specific facilities would be subject to nonconsensual inspections. Under HB-409's provisions, oil terminal facilities, refineries, crude oil or gas exploration, production, or transportation facilities, hazardous waste transportation, storage, or disposal facilities, major solid waste disposal facilities, or facilities with both significant air and wastewater emissions that are also 'pervasively regulated' would be subject to nonconsensual inspections;
- defines "pervasively regulated facility" as a facility where activities or operations are or were conducted that affect a significant public interest and that DEC comprehensively regulates;
- reduces penalties maximum from \$25,000 to \$15,000 per day;

Changes to HB-409 (Cont.)

- replaces language concerning the penalty for non-payment to be consistent with the treatment by the Dept. of Revenue for non-payment of taxes;
- amends the provision concerning compliance orders to state that an order may be issued "after investigation," rather than "in the opinion" of the department, and adds language requiring that the order contain the nature of the violation, the nature of the required response, and a deadline for compliance;
- adds language to clarify that "an individual may refuse to provide a specific item of information on the basis of the privilege against self-incrimination;"
- adds language proposed to limit the number of environmental audits which DEC may require at a single site;
- requires that DEC adopt regulations under the Administrative Procedures Act to implement provisions of the bill. This is a very important point to some business groups working on the bill, because it provides a framework for appealing DEC regulations.

Long-haul truckers' overtime

The House Transportation Committee passed out SB-506, exempting long-haul truckers from overtime wage requirements, last week. Supporters said that the bill would preserve a long-standing tradition in the way long-haul truckers are paid — by the mile instead of by the hour. Long-haul truckers develop their own rhythm of working and resting, it was said, and payment by the hour would not allow drivers the flexibility they currently enjoy.

The Dept. of Labor feels that the bill is not necessary, that truckers are able to continue working the way they have been, under present statute. But a recent court challenge in the state of Washington has prompted introduction of SB-506. An AFL-CIO representative argued against the bill, saying that while he did not oppose the bill per se, AFL-CIO didn't want to see an overall deterioration of overtime wage laws. Identical provisions are in HB-430, now in the House Finance committee. SB-506 next heads to the Labor and Commerce Committee.

The Senate Labor and Commerce Committee recently passed out HB-404, increasing unemployment benefits. The bill now heads to Finance Committee. Being so far advanced, this bill now stands an excellent chance of being approved this year.

WISE NATURAL RESOURCE MANAGEMENT DICTATES FISH FARM BAN

by

Senator Dick Eliason

After four years of discussion on the subject of mariculture, the time has come for the Legislature to end the debate and ban commercial finfish farming in Alaska. The current economic outlook for fish farming is bleak, and does not provide any justification for jeopardizing a natural resource base which supports subsistence, sport, and valuable commercial fisheries.

Economic development is important to our state, however one must weigh the the potential detriment of each economic development prospect against the potential benefits.

Unlike the other states and countries which have pursued fish farming, Alaska boasts a wealth of healthy natural fish stocks. These support a seafood industry payroll in Alaska which in 1988 exceeded \$1 billion; that's more than the combined payrolls of Alaska's other leading industries: oil and gas, tourism, mining and forest products. A fish farm, which costs about \$1 million to get started and takes two years to realize its earliest income, employs an average of only 3 people. Financing for fish farming ventures in Alaska would likely come from investors in other states and nations, with a large share of any profits flowing out of state. Fish farms in other states and in nearby British Columbia have been forced to sell their products at or below cost due to a glut

of farmed fish on the market, and some have faced bankruptcy. Profitability is, at best, uncertain.

Unfortunately, nobody can guarantee that our wild fisheries resources would be safe from the risks posed by fish farming. The report submitted to the Legislature by the (non-legislative) Finfish Farming Task Force states that the potential negative impacts of fish farming on natural stocks cannot be eliminated, a finding with which even fish farming advocates reluctantly agree.

The chief areas of concern which have emerged during the course of the fish farming debate in Alaska are those of water quality, siting, and hazards to natural stocks.

Water pollution is hard to sidestep in an operation which generates tons of oxygen-demanding waste. One typical fish farm using net-pens produces pollutants equivalent to untreated sewage from about 10,000 people, according to a Washington state report. Hormones and antibiotics given to the fish are part of this waste, and their use is believed to constitute a threat to public health.

Conflict over the location of fish farms will be inevitable, as many of the attributes sought in a fish farm site (good flushing action, fresh water source, accessibility, protection from heavy wave action, etc.) also make it desirable for other uses: shellfish farms, hatcheries, boat moorage, recreation, and residential development, for example.

The likelihood of irreversible damage is greatest, however, in the threat to natural stocks posed by disease, accidental

escapement, and genetic intermingling, all of which have presented genuine problems in Norway, home of the world's most advanced fish farming operations. Despite the advanced technology and massive government subsidies supporting the industry in Norway, thousands of diseased fish have escaped from farms, threatening wild stocks. Even when a certain disease exists in wild fish, studies have indicated higher rates of infection near net pens. Renegade farm fish, even if they are free of disease, may constitute a threat by competing for space in rivers inhabited by wild fish, and inbreeding can weaken the qualities which suit a fish to life in the wild (such as the ability to migrate). Rivers in Norway and the U.S. have had to be poisoned, and their wild stocks intentionally exterminated to control outbreaks of exotic disease unknown prior to the advent of fish farming.

These various risks to wild stocks can be minimized, according to fish farm proponents, with proper controls, siting guidelines and adequate funding. The cost of these controls and the attendant layers of bureaucracy would be considerable, and regulations would be ineffective unless accompanied by rigorous enforcement efforts. From Norway to British Columbia there have been documented cases of flagrant violations of regulations, including the release of diseased fish into the wild (to spare the expense of proper disposal) and the improper dumping of diseased carcasses (in one case use of an open trench enabled scavengers to provide a route for the disease into the food chain).

The Legislature has a constitutional mandate to manage natural resources for the maximum benefit of Alaskans. To gamble with these resources at public expense is simply irresponsible. Our stewardship of Alaska's natural resources, her lands, her waters, and her fisheries, involves both development and conservation. The public interest would be best served by our unfailing commitment to managing Alaska's fisheries resources according to sustained yield principles, maximizing returns through controlled harvest and enhancement, providing incentives for shore-based processing, continuing marketing and quality assurance campaigns, and protecting the marine environment from pollution.

The moratorium on fish farming now in place will expire in July of this year. Legislation has been introduced which would ban commercial finfish farming in Alaska. Legislative committees are now taking public testimony on this issue. If the Legislature lives up to its constitutional mandate, Alaska will refuse to flirt with the potential catastrophe which could be brought about by fish farming and will institute this prohibition.

[Sen. Dick Eliason represents District B in the Alaska State Legislature. He is Chairman of the Senate Labor and Commerce Committee, and a member of the Senate Resources Committee.]

Farm Salmon's Silver Lining

Silver Lining Seafood of Ketchikan this summer became the first Alaska processor to bring farmed salmon north. Silver Lining bought about 200,000 pounds of salmon from Prince Rupert Sea Farms which has sites located midway between Ketchikan and Rupert. The arrangement was a natural because shipping costs to market are lower by routing through Ketchikan. Co-owner John Sund told The Fish Farming News that Silver Lining hopes to establish better year-round supplies of product. "We're in the fish business," Sund said. "We're interested in acquiring fish." Sund, a former legislator, said the company is closely watching B.C. for potential investments, but it looks too risky at the present.

development of specialized farm broodstocks.

Brent Paine, the fish farming advocate on the panel, and the Alaska Mariculture Association agreed to the compromise with the assurances that farmers could have their own hatchery operations independent of state facilities and hatcheries controlled by fishermen, and would be provided access to surplus eggs, hatchery cost recovery fish and other sources of broodstock.

The task force also recommended that the legislature prohibit out-of-state transfers of live finfish eggs, fry and smolts. The task force had received mixed legal advice on the state's ability to prohibit out-of-state sales, particularly if the motives smacked of economic protectionism. Throughout the course of the task force process, Castner was extremely critical of Washington and Oregon for exporting broodstock and technology that fueled development of ocean ranching a salmon farming in other countries in direct competition with the fish industry.

Saying the private nonprofit status could complicate financing arrangements and muddle the issue of stock ownership, Paine and AMA conceded that the provisions could be workable as long as farmers had the ability to build their own hatcheries, sell eggs,

fry and smolt to other Alaska farmers and hatcheries, and had access to broodstock.

The legislature also directed the task force to separately examine the various forms of finfish farming, and the five-member panel issued a rather vague statement to differentiate the impacts.

"As directed by the enabling legislation, the task force has examined various finfish farming activities," the draft conclusion said. "We have determined that risks differ between these farming activities. The impact of enclosed systems are, by isolation, species limitation and potential user conflicts, greatly reduced.

"The potential genetic and socio-economic impacts of rearing non-salmon species in marine net pens also appears to be much less than those involved with salmon net pen culture, although most of these species are still in the research and development phase."

Alaska Mariculture Report

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Task Force Sidesteps 'Yes' or 'No'

The Alaska Finfish Farming Task Force resisted pressure to say "yes" or "no" to finfish farming and unanimously adopted recommendations that would enact a tough set of restrictions if the legislature decides to move forward.

While neither side of the debate over finfish farming can claim a clear victory, the acknowledgement by the task force that a properly managed salmon farming industry would cause "little or no adverse effect on wild stocks or the environment" provides an obvious boost for advocates who have long made that very contention. On the other hand, the task force said poor market conditions will make it difficult for farms to develop in Alaska and the cost of regulation would be high.

At a mid-December meeting in Juneau, the task force worked through more than 50 public comments on its draft report (the packets weighed three pounds each) and reviewed the issues raised with each finding and recommendation. After extensive markup of the draft, the task force got down to the bottomline: how specific to make its conclusions and recommendations.

The final report appeared to find some middle ground for farmers and opponents, but stopped short of what many on both sides of the issue had sought: a clear statement of support or opposition. Instead, the panel bounced the ball right back to the legislature by saying the decision was "political" and must be made by elected public officials.

"Another study and debate are unlikely to significantly change the task force's findings of fact; therefore, there is no reason to extend the current moratorium beyond its

Highlights

Complex nonprofit hatchery program recommended. Provides to continued state ownership of eggs and fry.

Enclosed upland farms "greatly reduce" impacts. Risks with non-salmon species in marine net pens "much less" than salmon.

Revenues from finfish farming development could offset state costs, but "costs would accrue...even if the industry fails."

Market conditions "poor," but farmers "may find some market opportunities."

expiration date of July 1990," the task force said in a draft of its conclusions. "The legislature should resolve the issue by statutory permission or prohibition."

The group planned to review the final language of the report via a teleconference call and forward it to the legislature by mid-January. In a letter to the task force, Senate Resources Committee Chairman Bettye Fahrenkamp said she intends to have legislation implementing the task force findings drafted and presented to committee members early in the session which convenes in early January.

While the task force's final report avoided an endorsement of finfish farming, it effectively puts to rest most of the objections raised by fishing and environmental interests. The most important conclusion of the task force may deal a crippling blow to the argument that finfish farming threatens wild stocks and the environment.

"The environmental and biological impacts of finfish farming can be minimized through careful attention to proper siting and enactment of...conservative regulatory practices..." the task force said. In an attempt to offer some comparison of impacts to the hatchery programs supported by most fishermen, the task force said, "Current fisheries management techniques are designed to minimize disease and genetic problems. Risk management of disease and genetic problems found in finfish farms would be no different."

The task force tempered its draft statement by stressing that the protections are provided by strong regulatory controls and oversight and no farming should occur until the necessary programs are funded.

**"...little or
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**The task force concluded
that the impacts of finfish
farming could be minimal if
properly regulated.**

"If the legislature decides to allow finfish farming, it is imperative that the necessary regulatory framework be in place well in advance of any farming activity. If that caveat is satisfied, the Task Force concludes that fish farming would have little or no adverse effects on wild stocks or the environment.

"Most of the necessary regulations can be adapted or extended without change from those that are already in effect for the state's ocean ranching and hatchery programs, but additional funding must be provided to extend them

to fish farming." [Original emphasis.]

The mounting evidence against the horror stories of biological and environmental devastation already had caused critics in recent months to shift their emphasis to the cost of properly regulating a finfish farming industry, narrow opportunities for salmon farming in light of spiraling world production and the unrelenting opposition of fishermen and environmentalists. The task force report undoubtedly will lend some fuel to these arguments.

The task force estimated that it will cost the state about \$500,000

per year to provide proper regulation. The task force based its figures on the costs of handling about 15-20 applications annually, and noted that an informal estimate provided by state agencies of \$1.2 million was based upon the expectation of 50 or more applications.

"The cost of providing adequate regulation of a finfish farming industry would be high, but successful development would bring employment and other benefits to Alaska," according to the draft conclusion. "[Although] development of finfish farming eventually could bring in enough revenue to offset the costs to the state, costs would accrue to the state from the permitting and regulatory programs even if the industry fails.

"The legislature is the appropriate body for deciding where to rank development of finfish farming in its funding priorities at a time when state revenues remain low and show signs of future declines."

One section of the draft report which was extensively marked up related to ownership of farm broodstock. While the final language was still in rough form, the task force recommended creation of new finfish farming hatcheries under a nonprofit status allowing the state to retain ownership of eggs and fry.

Ocean ranching hatcheries would be allowed to sell surplus eggs, fry and smolt to farmers and finfish farming hatcheries, but would be required to obtain a special permit ensuring the activity does not conflict with the mission of common property enhancement, under the task force recommendations.

The provisions were crafted at the insistence of Ken Castner, the fishing representative on the task force, who argued that private ownership could provide for out-of-state sales of broodstock and the state had an interest in benefits that could be derived from genetic

The long and winding road

The issuance of the task force report is a major milestone in the long debate over finfish farming in Alaska, but it is far from the end. The issue isn't likely to be resolved until the final days of the 1990 session in May after intense political debate.

Here are highlights of the process to date:

1985-86, a task force appointed by Gov. Bill Sheffield recommends a study of finfish farming while moving forward on shellfish and plant mariculture.

1986, ANA forms and begins working on legislation.

1987, bills authorizing finfish farming introduced in both houses, but get bogged down in controversy and a one-year moratorium on finfish farming is approved.

1988, fishermen win a fierce political battle and legislators extend the moratorium for two years and approve a sweeping bill covering shellfish and plant farming and establishing the task force. Since no funding was approved, the agencies stop processing shellfish applications.

1989, funding approved for new shellfish program and task force.

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54 S.E. Oyster Sites Sought

State agencies are sorting through 54 applications for shellfish farmsites in Southeast. Officials say that successful applicants probably won't receive their permits until mid- to late-May.

Oyster Hatcheries

Two additional shellfish hatcheries were certified by the Alaska Department of Fish and Game in 1989 as sources of Pacific oyster spat for Alaska farmers.

The entry of Coast Oyster Company and Kuiper Mariculture brings the number of certified hatcheries to five and radically changes the spat availability picture for Alaska farmers. Farmers have complained of long delays in obtaining spat in past years.

Coast owns the world's largest oyster hatchery. Kuiper's certified broodstock were supplied by Southeast farmer "Grizz" Nicholson.

ADFG cautions that its new procedures requires annual certification and farmers should check with the FRED Division (465-4160) before placing 1990 orders.

Tom Bettinger, Coast Oyster Co., Box 327, Quilcene, WA 98376. (206) 765-3345. Linda Kuiper, Kuiper Mariculture, 3025 Plunkett Rd., Bayside, CA 95524. (707) 822-9057.

The 60-day filing period ending on Oct. 30 for the Southeast region was the first opportunity for new shellfish farming sites in one and one-half years, and the interest level was strong. The 13 farmers holding permits approved prior to the 1988 passage of an aquatic farming bill will be grandfathered into the program. Three permit holders did not submit applications and will lose their grandfather rights.

State officials say the permitting schedule was lengthened because nearly every application had to be returned for more information. The number of active applications after this first screening had dwindled to about 50 and more dropouts were anticipated by the late December deadline for applicant responses to agency requests.

Of the 54 original applications submitted, 19 were located in the Stikine-Admiralty Island district (Petersburg-Yakutat), 18 in the Prince of Wales Island area, six in Wrangell Narrows, five on Etolin Island and four in Sitka Sound. Oysters were the species of choice on all applications except a handful of proposals for oyster-mussel farms.

The 1988 law requires the Department of Natural Resources (DNR) to create aquatic farming districts and hold 60-day application periods at least once a year. It also requires a 30-day public notice and a public hearing for each district. A DNR official said the agency plans to schedule a 60-day filing period for areas north of Yakutat "next spring."

The lengthy permitting process stretching from Sept-May will push the successful applicants against the start

of the growing season, and further delays could jeopardize 1990 plantings. The applications still must go through the coastal consistency process, agency review, and public hearings.

As the requests for additional information were issued, the state notified applicants they could opt for a "site suitability" permit which involves much less red tape, but only provides for limited growth studies and environmental monitoring work for one year. The "site suitability" permits do not provide a preference right for a site and the animals raised in growth studies can not be sold or transferred to commercial production.

Alaska Oysters: How High is too High?

by Rodger Painter

So, you can grow a great oyster in Alaska, but can you sell it at a profit? As production from existing farms grows and the number of licensed farms increase, this question is becoming increasingly important to growers trying to figure out how to move product at a profit.

Although farmers have had to work hard to open sufficient sales channels, in-state markets have accommodated nearly all Alaska's production to date at acceptable price levels. Most farmers have been able to obtain \$.37-.50/oyster, but major Alaska buyers are wary of buying large quantities at price levels running 30-40 percent above Puget Sound or East Coast product.

Many of Alaska's early oyster farms have increasingly larger crops in the water, and 1990 should bring a major increase in product. And, with the state back in the business of processing applications after a year and one-half hiatus, production is likely to spiral in the remainder of the decade.

While in-state markets have room for expansion, the state's population base probably is not large enough to support more than a couple dozen developed farms. Only small amounts of Alaska oysters have been marketed in the Lower-48, and a survey of buyers in the Seattle area revealed that none was even aware Alaska had shellfish farms.

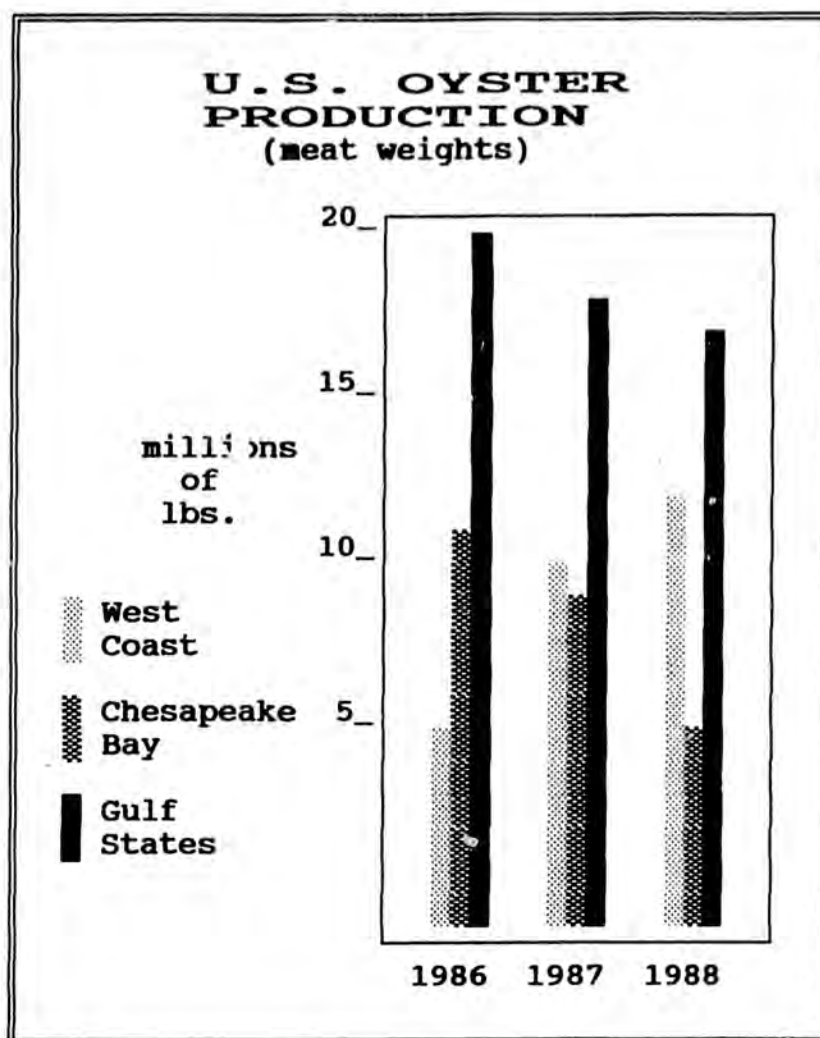
Alaska oysters compare very favorably with the best product on the market. Some growers say the cold waters which prevent spawning ensure the animal puts its energy into producing a higher fat content. Whatever the reason, Alaska oysters tend to be plump and succulent during the summer months when Lower-48 oysters turn soft and milky during spawning.

This creates a good market niche for Alaska oysters, but the long-heralded "triploid" oyster promises to undercut much of that opportunity. "Triploid" means these oysters have three sets of chromosomes rather than the normal two, and, consequently, are sterile.

After years research and development, Coast Oyster Company of Puget

PART 2

This series examines the outlook for shellfish farming in Alaska. The first article examined oyster markets. Next: Scallops--Flop or Future Superstar.



Rise of the Pacific Oyster

This graph shows that U.S. production of oysters has dramatically shifted in recent years. Particularly striking is the decline of Chesapeake Bay and corresponding rise of West Coast production. The West Coast production is based upon estimates by the Pacific Oyster Grower's Association, Dr. Ken Chew (University of Washington), and Seafood Leader; it is higher than government figures because of widespread under-reporting. The Gulf and Chesapeake figures are from the National Marine Fisheries Service. When imports are included, two out of three oysters consumed in the United States are the Pacific oyster. Washington State appears destined to become America's leading oyster producer within a few years. This graph is taken from *SHELLFISH FARMING IN YAKUTAT: A Feasibility Study of Shellfish Farming in Yakutat, Alaska* by Sea Culture of Alaska for the City of Yakutat.

5-mo. Oysters

A shellfish farming study in Yakutat has produced market-sized Pacific oysters in five months. The project planted 5,000 oyster spat in May and about 10 percent of the crop reached 2-3 inches by October.

Dr. Mike Kaill, who was lead project biologist and is mariculture coordinator for the Alaska Department of Fish and Game, cautions that the results may be unusual because of the record warm summer. Kaill said the absence of major storms in the area also may have resulted in unusual plankton levels.

Nevertheless, Kaill said, the results are extremely encouraging because growth rates in Alaska average between two and three years. If the growth experience continues, Yakutat farms should produce marketable oysters within two growing seasons (16-17 months).

Sound (the world's largest oyster farming company) has begun moving substantial amount of the product to market. While there are many skeptics among established Puget Sound growers, Coast committed half of its production to triploids in 1989.

Although the Pacific oyster clearly is a rising star in seafood markets, the competition for Alaska growers in Lower-48 markets will be tough. Production in Washington and British Columbia is expected to increase sharply over the coming decade, particularly in the half shell trade as many Puget Sound growers are converting some or all of their production from shucked products.

These factors suggest Alaska farmers will have to figure out how to lower their prices--and production costs--to move very large quantities of product. Interviews with Puget Sound and Alaska oyster growers suggest that Alaska costs are, perhaps, double those of larger Washington farms and three times higher than Gulf Coast states.

Dave McMillan, general manager of the 120-year-old Olympia Oyster Co., said his company keeps very tight control of its costs and it can produce a half-shell oyster for \$1.00. In contrast, other growers speculate that production costs in Louisiana and nearby states might be about \$1.10 per oyster.

Tim Tirrell, owner/operator of Under Sea Farms in Cordova, said he figures he would need to receive about \$.41 each for his oysters "to make a go of it at my present costs." Tirrell hopes to bring his unit costs down through economies of scale as his production increases and he tightens management practices through experience.

Tirrell planned to sell about 30,000 oysters this year, but was sidetracked by the Exxon Valdez oil spill. However, he now has about 2 million animals in the water and his production will climb rapidly over the next few years.

Don Nicholson, who claims to be the only Alaska mariculturist who makes a living solely from his farming income, said he has about \$.35 each into his marketable oysters. Nicholson sells oysters in Southeast

oysters in Southeast and Anchorage for about \$.50 each.

Research conducted for a shellfish farming feasibility project in Yakutat shows a farm planting about 500,000 spat per year might expect to have annual costs of about \$147,000 (including financing, salaries for a manager and casual labor) for three-year growth and \$127,000 for two-year growth. This works out to a unit cost of about \$.40 for the three-year scenario and \$.35 for two-year growth.

Review of the cost projections for a farm planting 1.5 million spat annually reveals significant economies of scale in oyster farming. The three-year growth scenario for a 1.5 million spat farm showed a unit cost of about \$.245, while costs for the slower growing animals were \$.29.

While the unit costs of the smaller farm models closely parallel the figures provided by Tirrell and Nicholson, the accuracy of the figures for the larger farm won't become clear until Tirrell or some other farm reaches comparable levels of production.

Even the lower unit production costs projected by the larger farm models are high when compared to the competition and average market prices. Wholesale price in Lower-48 markets for half shell oysters might average about \$3/dozen or \$.25 each, although some specialty oysters go for up to \$4/dozen or \$.33 each.

The gap between established market prices and Alaska production costs suggests Alaska farmers will have to focus on in-state markets and smaller-scale Lower-48 buyers seeking high quality specialty products. As Alaska oyster farms mature into more efficient, higher volume operations with lower unit costs, market opportunities are likely to become much broader.

Northern Species Raised in Unique Hawaiian Farm

by Rodger Painter

Numbed fingers fumble to remove oysters from a fouled lantern net hanging 40° F. ocean waters or wearily chip a growing coat of ice from pens in howling arctic storms, there isn't a northern aquatic farmer alive who wouldn't trade places with George Lockwood in a minute.

Lockwood grows chinook and coho salmon, eastern oysters, abalone, sea urchins and *Macrocystis* kelp where ocean temperatures average 78-83° F. and massive sun screens are used in mid-winter to block the relentless sun. Paradise on earth to a northern aquatic farmer has to be Lockwood's Ocean Farms of Hawaii.

Salmon lazily swim through a lush forest of kelp in a four-acre saltwater pond. Filtering the nutrient-rich pond waters are cages of eastern oysters. Nearby stand rows of tanks holding "condominiums" inhabited by abalone and sea urchins dining on the cultivated kelp. Then there's the salmon hatchery and smolt tanks, processing room, ice machine, water quality and pathology labs, generators for full backup power, machine shops and other support services.

Many of these activities take place under a sprawling black web roof

designed to block out the hot Kona sun. The temperature under the roof is comfortable and dozens of technicians briskly move from project to project.

Three more of the massive 15 million gallon ponds are being carved out of volcanic flows by huge bulldozers, while thousands of feet of 16-inch stainless steel pipeline gleam in the hot Kona sun. The pipelines are assembled on-shore before being eased into the ocean to siphon cold, nutrient-rich waters from 2,000 feet under the surface.

"We create our own environment here," said Lockwood. With the ability to manipulate water temperatures to perfect levels throughout the year, it's difficult to imagine a better environment for growing salmon and bivalves. Warm surface ocean water is mixed with the 46° F. water from the lower pipelines to create the perfect temperature for each of the diverse operations of the farm.

A tour of the 21-acre farm is a mind-boggling experience for a visitor accustomed to the comparatively modest salmon and shellfish farms of the West Coast, B.C. and Alaska. Consider, for example, the pipelines necessary to supply Ocean Farms once the new ponds are put into production. Each 16-inch stainless steel pipeline is 6,000 feet

**"We create
our own
environment
here."**

George Lockwood

long and provides a flow of 2,000 gallons per minute. The pipelines reach an offshore depth of 2,000 feet, and must pass through a rugged surf zone. Ocean Farms has two of these pipelines in operation and four more are under construction.

[The water is not pumped from 2,000 feet down. The water inside the pipeline rises to the same level as the water outside the line in a manner similar to a straw stuck in a glass of liquid. Consequently, the farm only has to pump the water from sea level to the ponds and culturing tanks.]

The farm was started in 1984 as a spinoff from aquaculture research at the Natural Energy Laboratory of Hawaii's facility at Ke-ahole Point near the Kona airport on the Island of Hawaii. [See article on page eleven.] Originally Hawaiian Abalone Farms, the company's name was changed after it diversified into other products.

Lockwood, who took over as president in 1985, is a hands-on manager who travels around the farm on a golf cart purchased used from a nearby resort hotel. As he moves through the facility, Lockwood stops to check the bond on a new pipeline joint, moves a hazard sign over a hose crossing an aisleway, walks around a working bulldozer to inspect progress on the new ponds, examines a sea urchin seeding operation and checks rows of instrument panels, while continually monitoring a beehive of construction and farming activity over a radio scanner.

Ocean Farms of Hawaii isn't eager for publicity and Lockwood only rarely consents to show a visitor around the farm complex. Lockwood, the founding president of the California Aquaculture Association, explains that Ocean Farms is still in the research and development phase.

What in the heck is OTEC?

Aquaculture was an afterthought at the Natural Energy Laboratory of Hawaii. After the OTEC research station was established, someone asked, hey, why not use the cold ocean water for fish farming? Thus, said the lab's tour guide, began some of the world's most unique aquaculture research. Ocean Farms of Hawaii was the first research project to move outside of the research compound and into commercial production. By the end of 1989, three other companies had followed. One company is growing Maine lobsters, and two others specialize in algae and kelp. Three other companies are now starting new research projects: a Japanese company working with Japanese flounder; a Florida firm farming mahi mahi; and an Hawaiian company raising pearl oysters. Another researcher is experimenting with algae to clean industrial smokestacks. Oh, yes, OTEC is short for Ocean Thermal Energy Conversion. The warm water boils ammonia which is hit with the cold water to create steam. The steam powers a turbine producing electricity.

While Lockwood is reluctant to provide much information on production levels, investment capital, wholesale prices and other business details, it's clear that salmon will play a major role in the company's future. The small cluster of wooden net pens occupying one corner of the operational four-acre pond suggests the company currently has a modest production of salmon. [Lockwood said experiments with salmon free to roam throughout the pond shows that net pens are more efficient and there's little difference in growth rates and overall performance.] The new ponds will focus on salmon production and net pens will occupy most of the surface area.

Eyed coho and chinook eggs are imported from Washington, Oregon, Chile and New Zealand, but the farm took its first step toward a self-contained system this year with its initial egg take from its own broodstock. There have been no signs of disease in any of the salmon and Lockwood intends to keep it that way. One shipment of eggs was turned back when BKD (bacterial kidney disease) was discovered.

Lockwood is optimistic about the future of farmed Pacific salmon, and says he can't understand the interest in Atlantics which he described as "not a very good fish" for consumers.

Ocean Farms raises kelp strictly to feed its abalone and sea urchins. [The kelp grows up to 18 inches per day.] Stocks of abalone and sea urchins originally were imported from California and Japan, but the operation now supplies its own seed for all four species. The abalone are sold primarily as juveniles, while the urchins are harvested for the Japanese uni market.

Eastern oysters are favored over Pacifics because of the strong market demand and ease of obtaining seed from Maine hatcheries, Lockwood said.

While Lockwood declined to say how much money is tied up in the farm,

Ocean Farms clearly has enormous capital requirements and operating expenses must be high with 100 employees on the payroll. One knowledgeable source at the Natural Energy Laboratory speculated front-end costs might be in the \$8 million range. Lockwood said investment capital has been furnished by a group of private investors including himself, a Japanese businessman and the Hawaiian Electric Company.

When asked if Ocean Farms products are priced out of the marketplace, Lockwood responded that local sales to Hawaiian resort hotels and upscale restaurants are very good, and markets in Japan and the Mainland are accessible and strong. Ocean Farms also is looking at the South Pacific resort hotel trade.

An old brochure of Hawaiian Abalone Farms features two abalone options: 8 "juvenile abalone in the shell," recipes, herbs and Kona coffee, \$135; and 16 abalone and trimmings, \$220. The price included costs for air delivery any where in the continental U.S. within two days of harvest.

Even at those prices, Ocean Farms will have to sell a lot of seafood to turn a profit. If the company's marketing skills come close to rivaling Lockwood's expertise at creating the ultimate farming environment--for fish and farmer alike--you can expect to hear a lot more in the future about Ocean Farms of Hawaii.

MEMBERS CORNER

AMA members wishing to communicate with readers of the *Alaska Mariculture Report* are encouraged to send contributions to this section.

OYSTER SEED/EQUIPMENT.

Westcott Bay Sea Farms is selling 3-5 mm seed for \$9 per 1,000; 5-8 mm for \$11; and 9-12 mm for \$14. [Discounts available for 500,000.] Orders under 25,000 charged \$35 for handling. Shipping costs additional. Westcott offers lantern nets (9-30 mm) in the 5- and 10-tier versions and pearl nets (3-9 mm). 4071 Westcott Drive, Friday Harbor, WA 98250. (206) 378-2489.

MUSSEL ROPE. Coconut fiber rope is proven highly effective and inexpensive for natural mussel spat settlement. Trials in Halibut Cove Lagoon were promising. Write: J.H. Wertheim, C&W Trading Co., Westport, CONN 06880.

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Alaska Mariculture Report

Published by the
Alaska Mariculture Association

THE NEWS INSIDE

TASK FORCE SIDESTEPS 'YES' OR 'NO' ANSWER. The Alaska Finfish Farming Task Force says fish farms could have "little or no adverse effect" on wild stocks and environment, but stops short of an endorsement.

OYSTERS, OYSTERS, OYSTERS. Agencies sift through 54 SE farmsite applications. So you got a great product, but can you sell it at a high enough price to recover your costs. Yakutat research project grows oysters in five months. New hatcheries certified. Rise of the Pacific oyster.

MARICULTURE IN PARADISE. Salmon, abalone, sea urchins and oysters flourish in a subtropical farm.

ALASKA MARICULTURE ASSOCIATION

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Alaska Legislative Digest

An Inside View of Alaska Policy

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Consultant: State Can't Retrieve \$1 Billion Investment

January 23, 1990
No. 3/90

End to AHFC Mortgage Subsidies?

An end to Alaska Housing Finance Corp.'s interest rate subsidies on home mortgages is now considered likely, involving a gradual phase-out of the program, sources close to the special House-Senate housing task force say. The task force had extensive meetings last week to hammer out details on a package of AHFC bills that will likely be introduced this week. The subsidy phase-out will apply to a declining dollar amount, so that in the first year, the amount of financing eligible for the subsidy falls from \$90,000 (as under current law) to \$70,000, then to \$50,000 in the second year. At \$50,000, the program will match guidelines for existing federal programs, in effect returning AHFC to its original role of helping low and moderate income home-buyers. The phaseout is in lieu of a more abrupt termination, which would raise concerns in the bond market, legislators say. Other AHFC changes being discussed, that could be part of new legislation: Giving AHFC more budgetary, purchasing and hiring autonomy, and exempting it from the cumbersome state procurement code. Part of the reason AHFC is behind the curve on its foreclosures is that the agency was unable to hire sufficient staff to work with problems loans several years ago, impeded by lack of money and state hiring procedures. Other ideas (Cont. on Pg. 8)

The Oilspill Hearings: Key Bills to Watch

Two House bills to watch in the wake of extensive oilspill hearings in House Resources Committee, which continued last week, are HB-315, a governor's bill on criminal penalties for pollution, and HB-409, Rep. Mike Davis' bill on civil penalties for pollution. The latter measure includes provisions enhancing Dept. of Environmental Conservation's ability to gain access to oil terminals and other industrial facilities. HB-315 is in House Judiciary; HB-409 is in Resources, and may be up for action this week. Judiciary may wait on HB-315, to work on the bills together. Meanwhile, putting the Alaska Oil Spill Commission's extensive recommendations into actual legislation may take longer than thought due to the complexity of issues involved. Governor Cowper is interested in pursuing (Cont. Pg. 8)

Inside this week's Digest:

- *** Local government, rural school boundaries, House C&RA takes up a new version of Rep. Larson's HB-1. Pg. 2
- *** 'Forward funding' for schools likely to move, but no checks mailed until session end Pg. 2
- *** A new plan to share fish tax revenues between coastal cities and boroughs Pg. 2
- *** The politics of Gov. Cowper's Education Endowment P. 3
- *** Status of Bills, New introductions, committee and floor actions Pg. 4 and 5
- *** Finfish farming moratorium: Lots of sponsors, but support is 'soft', compromise possible Pg. 6

HEARD IN THE HALLS: The state administration reportedly will ask for \$250,000-\$300,000 in funding for the prestigious northern countries conference next fall; if money doesn't come through, the conference may be cancelled.

... Local Government/ Schools ...

Fish Tax Revenue Distribution

Cities in organized boroughs would get a greater share of raw fish tax revenues under HB-422, introduced by Rep. Mike Navarre. Under present law, municipalities in unorganized boroughs receive 50% of all raw fish tax revenues collected by the State, while the State keeps the other 50%. But cities within organized boroughs must split their 50% share with the borough. *HB-422 provides for a different distribution of raw fish tax revenues, with all the money going to cities within the boroughs (an amendment under discussion would allow cities to share with boroughs).* This is justified, sponsors say, in that services to fishermen and processors are provided mainly by cities, and not borough governments.

Early-Funding for Schools

HB-16, early funding for education, is scheduled again before House HESS Committee this week. The crux of the issue is the general fund appropriation figure (now \$527 million), which will undergo further discussion before the bill leaves the committee. Meanwhile, the Senate has introduced an early funding bill of its own, SB-387, which passed out of the Senate C&RA Committee last week. Sen. Al Adams unsuccessfully proposed two amendments, one to raise the funding formula instructional unit from \$60,000 to \$66,000, the other to add \$60 million school construction appropriations to the bill. Neither was adopted and the bill left the committee in the same shape that it had come in. Prospects for the bills' early passage are good since the state's revenue picture is healthy this year. *But in any case, funding levels won't be secured until the money is actually transmitted, at the end of the session.*

Solid Waste, Recycling Grants? Local and regional governments may see the availability of funds for solid waste management and recycling programs. A working group in the House has been meeting to discuss possible legislative initiatives to improve solid waste management and recycling, with a goal of getting a package of solid waste and recycling bills before the legislature this year. Ideas include planning, technical and financial assistance for development of programs at the local level. *Solid waste management is becoming a critical issue for municipalities, with strict new EPA federal guidelines.*

New Version of HB-1

House Community and Regional Affairs Committee started work last week on a substitute version of Rep. Ron Larson's HB-1, to encourage formation of local governments. The substitute would require: (1) a new state panel on municipalities, to enhance incentives for borough formation; (2) require the Local Boundary Commission to conduct a boundary study of the unorganized borough; (3) require the LBC to notify the director of elections of each region that should be incorporated as a borough and each area that should be annexed. The director would then order an election in each area to determine whether voters desire incorporation or annexation; (4) charge the Dept. of Community & Regional Affairs with preparing a provisional home rule charter for boroughs to be incorporated (voters in the region could later petition for amendments to the provisional charter); (5) require the director of elections to schedule a charter election, in areas that approve borough incorporation. The commission would in turn prepare a home rule charter to be presented to the voters. (6) require the director of elections to hold an election in each borough scheduled for incorporation.

Those testifying before the committee expressed concern over the cumbersomeness of the proposed election process, but were pleased that the draft substitute does not call for mandatory borough formation. Rep. Larson has not pushed HB-1 (the original bill merged rural REAA school districts) because although neither bill has left its committee of first referral, they have largely accomplished what Larson had set out to do. In the last three years, two new boroughs have been formed and nine or ten other areas are now making inquiries about borough formation. Also, the LBC is working on a study of the unorganized borough in Alaska. Larson sees HB-1 as 'educating' people on benefits of borough formation.

Minimum Electrical Standards: SB-357, amending statutes to reflect the 1990 update of minimum electrical standards approved by the American National Standards Institute and published in the National Electrical Code, flew through the Senate last week. The bills allows Dept. of Labor to amend regulations to comply with updated standards. *No substantial changes have been made to the previous minimum standards, which apply to the state, boroughs, and cities.*

Is 'The Endowment' a now or later issue ?

Endowment: Either way schools are it !

The Education endowment! This is an issue that sooner or later will squirm its way into the front lines of political battle in Juneau —most likely in the latter days of the session. The Senate will not be likely to give the issue an easy ride, and like all big issues, the endowment will come only with a session end 'price.' This constitutional proposal is about three things.

(1) It is about schools, and at some time in the future providing a sizable funding base for Alaska school operations.

(2) Whether its designers intended so or not, the endowment is also about the permanent fund, and beginning to talk with the public now about what fund income might be used for when our oil is going, going —gone!

(3) The endowment is also about state fiscal policy. Does the unique character of our oil driven state revenue base, plus the existence of such an unusual feature as the permanent fund, justify, or even virtually require, designation of certain revenues, despite our firm commitment to a general fund concept.

Endowment: A funding priority for schools

Clearly a decision for the endowment is a decision that sets schools apart from all other state needs as a priority. Is this a good idea? Well, that's one question each legislator must consider. However, schools are in fact now the state's top area of spending, and as the state finds its revenue stream constricting in the future, schools will garner a larger and larger percentage of total state spending. In fact most states commit a far greater percentage of budget to schools than does Alaska. Of course, this is in part due to our excess revenue situation. We have extra cash to spend for other things. In many states, with more normal revenue conditions, the direction our finances will trend towards, education commands up to 50% of state budget, and sometimes more. Now, keep in mind these states are income and sales taxing states, where citizens are obviously very vigilant.

Will saving now protect the dividend later ?

What this means is that one way or the other, schools will increasingly become the overwhelming state funding priority by the end of the decade. We may or may not decide to save an additional increment for schools through the education endowment. But, if we don't, doubtlessly when the squeeze is on in a decade or so, and we debate permanent fund policy as a function of necessity, and not our political druthers, you can bet schools will be at the center of the issue anyway. And at that time it is really likely to be a situation of trading dividends for schools. Oddly, by saving through an endowment that dividend v. schools shootout may be averted, at least for a time.

Moving toward a state funded system

Another thing we might consider is, that by the end of the decade of the 1990s schools might have become primarily a state responsibility. Certainly passage of HB-37, and creation of a total state school construction program points in that direction. Next, there is growing interest in going (back) to a statewide teacher's salary schedule, and thereby moving the school collective bargaining process to Juneau. This would be another step along the line towards full fiscal responsibility for schools. Such a process might be quite constructive too, allowing Juneau to be the fiscal bad guy. This might put teachers and school boards on the same side trying to build real education —focusing on teaching and school building level policy that enhances both teaching and learning.

... Status of Bills ...

Bills Introduced in the House

HB-422 by Navarre, Swackhammer (Fish tax revenue to local governments) To C&RA, FIN
 HB-423 by Davis, Boyer et al. (approp., Fairbanks school construction, rehab.) To HESS, FIN
 HB-424 by Governor (Anchor River, Fritz Creek critical habitat area) To RES
 HB-425 by Taylor, Hudson et al., (Special approp. to Permanent Fund) to SA, FIN
 HB-426 by Jacko, Foster (Notice on adopting, changing, repeal regulations) to C&RA, FIN
 HB-427 by Shultz, Phillips et al. (dividend hold harmless provisions) To C&RA, SA
 HB-428 by the Governor, (FY 1990 Supplemental appropriations) To FIN
 HB-429, by L&C Committee (Subrogation provisions, motor insurance) To L&C, JUD
 HB-430, by L&C Committee (overtime wages, established work week) To L&C, FIN
 HB-431, by L&C Committee (Approp., tourism, airport marketing) To L&C, TRANS and FIN
 HB-432, by Grussendorf, Ulmer et al. (prohibiting fin-fish farming) To RES, JUD
 SSHB-252, by Koponen, Ulmer et al. (taxation of personal income, tax credits) To SA, FIN
 SSHB-415, by Barnes, Furnace, et al. (Subsistence hunting and fishing) To RES, JUD
 SSHB-425, by Taylor, Hudson et al (Spec. approp. to Permanent Fund) To SA, FIN
 HB-433, by Koponen, Larson (1990 Arctic winter games) To C&RA, FIN
 HB-434, by L&C Committee (restrictions state employees during, after state service) .. To L&C, SA & JUD
 HB-435, by Jud. Committee, (definition public servant, criminal code) To SA, JUD
 HB-436, by Davidson, Hoffman et al. (preservation historic archeological resources) To RES, JUD
 SSHB-125, by Hudson, Ulmer (health, education) to HESS, FIN
 SS HB-332, by Hoffman, Davidson (Goodnews Bay Critical Habitat Area) to RES, FIN
 HB-437, by Taylor (child care) To HESS, FIN
 HB-438, by Ulmer (adoptions) To HESS, JUD
 HB-439, by Gov. (Marine Hwy. program receipts

New House Bills (Cont.)

(Cont. from left) funding..... To Trans, FIN
 HB-440, by Gov. (Soviet Far East Commission) To Foreign Trade, SA, FIN
 HB-441, by Gruenberg, Ellis, et al (controlled substances)..... To HESS, JUD
 HB-442, by Tourism Comm. (Ak tourism marketing council)..... To Tourism, L&C
 HB-443, by Zawacki (approp., Anchorage water and sewer) To C&RA, FIN
 HB-444, by Zawacki (Kenai water system upgrade) To C&RA, FIN
 HB-445, Koponen, Ellis (student loans) To HESS

House Resolutions Introduced

HJR-68, by Jud Committee, appointment of Alaskan to Ninth Circuit court) To SA, JUD
 HJR-69, by Spec. Foreign Trade Comm. (include Aleuts under visa-free travel) To Trade, SA
 HJR-70 by Spec. Foreign Trade Comm. (Alaska as future summit conference site) Trade, SA
 HJR-71 by Spec. Foreign Trade Comm., (Most favored-nation status to USSR)..... Trade, SA

House Committee Actions

HB-396 from SA, (retirement status, probation officers) 5 do pass To FIN
 CSSB-202(JUD) from JUD, (factors in presumptive term, criminal sentencing) 3 do pass..... To RULES
 CSSB-226 (JUD) from JUD (possession of firearm while under influence) 3 do pass, 2 no rec ... To JUD
 CSHB-53 (JUD) from JUD(driving, operating aircraft, water vehicle while intoxicated) 4 do pass.... To FIN
 HJR-35, from FIN (rights of states) 9 do pass, To Rules
 CSHB-19, from HESS (child foster care) 5 do pass To JUD
 HB-431 from L&C, (approp., international tourism, airport marketing) To Trans

House Floor Action

SJR-25, Upgrade Resurrection Creek Road, Chugach National Forest..... PASSED 35-0

(Continued Page 5)

... Status of Bills ...

House Action (Continued)

CSSJR-48(RES) Pref. shore-based processors, coastal communities in fish allocations PASSED 33-0
 CSSJR-46(SA) Joint Commission in Congress, status of Alaska natives PASSED 37-0
 HB-208 (student loans) returned to RULES

Senate Bills Introduced

SB-391, by Coghill, Halford et al. (municipal tax exemption farm land, greenhouses) To RES, FIN
 SB-392, by Coghill (development credit, access to land) To RES, FIN
 SB-394, by Fahrenkamp (eligibility, state group insurance) To HESS, SA, FIN
 SB-395, by Coghill (Permanent Fund dividend hold harmless) To SA, JUD, FIN
 SB-396, by Governor (supplemental operating approp., Dalton Highway) To Trans, FIN
 SB-397, By Eliason, Jones, et al, prohibiting finfish farming To RES, FIN
 SS SB-19, by Sturgulewski, Kelly et al. (seizure property in alcohol, drug cases) To JUD, FIN
 SS SB-193, by Adams (teacher certification) To HESS, FIN
 SS SB-288, by Sturgulewski (real estate commission) To L&C
 SS SB-394, by Fahrenkamp (state group insurance) To HESS, SA, FIN
 SB-398, by Pearce (day care) To HESS, FIN
 SB-399, by Gov. (state office leases) To SA, FIN
 SB-400, by Sturgulewski (approp., vendor claims) To SA, FIN
 SB-401, by Gov. (rights of corrections workers) to L&C, FIN
 SB-402, Gov. (Soviet Far East Commission) To SA, FIN
 SB-403, by Eliason (Stan Price St. Wildlife Area) To C&RA, RES, FIN

Senate Resolutions Introduced

SCR-37, by Fischer (change Anchor Point Ave. in Anchor Point to Milo Fritz) To Trans
 SJR-63, by Frank, Binkley, et al. (setting constitutional

Senate Resolutions (Continued)

(Continued) limit to session To SA, JUD, FIN

Senate Committee Actions

SB-334, from HESS (waivers under Medicaid, disabled) 2 do pass, 1 no rec, two fiscal notes ... To FIN
 CSHB-165(JUD), from JUD (disposition anatomical parts) 2 do pass, 2 no rec To Rules
 SCR-29, from FIN (investment of state public trust funds) 3 do pass To Rules
 SCR-37, from Trans (change name Anchor Pt. Ave. to Milo Fritz Ave.) 3 do pass, 1 no rec To Rules
 CSSCR-25(FIN), from FIN (expansion, state transportation system) 6 do pass, fiscal note out To Rules
 SB-334, from FIN, (waivers under Medicaid, disabled) 6 do pass To Rules
 SS SB-341, from SA (approp., disaster relief fund) 2 do pass, 1 no rec To HESS, FIN
 CSSB-357(L&C), from L&C (state, borough, city electric codes) To Rules
 HCR-32, from RES (mountain named after Bruce McGhan), 5 do pass To Rules
 SB-178, from Rules (reporting requirements agencies under minerals policy act) To Calender
 SJR-47, from L&C (FDIC liquidation policies) To Rules
 SJR-58, from RES (citizen parti. in oil contingency plans) To Rules
 SB-343, from FIN (retirement incentive plans) to Rules
 CS SB-349, from L&C (motor vehicle franchises) To FIN
 SJR-55, from Trans (restructuring weather service) To Rules
 CS SB-158 from JUD (controlled substances) To Rules
 SB-326, from HESS (local health planning) To FIN
 SB-355 (sex offenses) To Rules
 SB-386, from Trans (pedes. crossing) To JUD
 SB-387, from C&RA (approp. to DOE, K-12 support early funding) To HESS
 SB-178 (agency reporting requirements, state minerals policy act) PASSED 18-0

Senate Floor Actions

... Resources ...

Finfish Moratoriums!

Companion bills prohibiting finfish farming have been introduced in the Senate and House by Sen. Dick Eliason and Rep. Ben Grussendorf. SB-397 has 15 co-sponsors. Senate Resources has yet to schedule a hearing on the bill, and action in that committee is reported not likely soon. Sen. Eliason hopes to get the finfish moratorium rolling early, so that there can be resolution on the issue before the current moratorium expires July 1. Eliason opposes finfish farming in Alaska because of environmental concerns, disease problems created by intermingling of farm fish and wild stocks, and potential harm done to the image of Alaska salmon as "wild and pure". Reportedly the House will await action in the Senate before acting on its own finfish farming prohibition bill, HB-432.

Reports are that despite large numbers of co-sponsors on finfish moratorium bills, many legislators, including some co-sponsors, would like to see some compromise. One possibility being discussed would allow freshwater salmon farming, where there would be little likelihood of intermingling with wild stock.

Bottomfish Use: House Judiciary Committee took up HB-394 last week, relating to the use of pollock. The bill is being held in committee for more work. Two members of the North Pacific Fishery Management Council have been asked to work on language defining "waste." The committee also wants to address the issue of bycatch of pollock while fishermen are involved in another fishery, such as long-lining of halibut. Department of Law staff has suggested some technical changes to the bill as well.

Impediments to Mining: An agency reporting measure on impediments to mining moved fast through Senate committees and passed that body last week, 18-0. The bill, SB-178, outlines requirements for eight state agencies to review statutes, administrative regulations, and procedures affecting mineral exploration and development, to determine deficiencies or inconsistencies contrary to the State mineral policy act passed last year. Agencies will be required to conduct an annual review until 1994, when the Alaska Minerals Commission sunsets. An agency review was conducted once before, and the program is now being resurrected on an annual basis. The bill is now in House State Affairs and will also go to Resources in the House.

Mineral Commission Recommendations

The Alaska Minerals Commission met with Gov. Steve Cowper and Senate Resources Committee in Juneau, presenting the commission's 1990 annual report and legislative recommendations, aimed at further stimulating the state's reawakening mining industry.

Specific proposals:

- Allowing the new 3% net profits production royalty (established by new legislation last year) as a deductible expense under the state mining license tax;
- Mineral assessments on state land, along with surveys of competing values, should be required before mineral closures are made.
- Geologic and geophysical mapping of the state should be continued, building a data base on resource inventory and advertising the state's interest in encouraging mining exploration.
- Support for SB-34 (state land withdrawn from mineral location) and SB-35 (multiple use of state land), introduced in 1989.
- Alaska should expedite ongoing inventory of historic RS2477 access corridors across federal lands, and aggressively assert rights to these corridors, particularly in inaccessible areas.
- Support for HB-159 and SB-181, exempting mineral lands from taxes by municipalities on ore reserves in the ground. A similar exemption for oil and gas reserves now exists in state law.
- Repeal of the state unitary tax as it applies the coal. *Interestingly, the commission did not endorse unitary tax changes for all mining investments, or give specific endorsement to SB-119, the governor's bill that would allow 'waters' edge' corporate income tax accounting for foreign-owned firms.*
- *Implied criticism of the Alaska Railroad:* "It is imperative that the Alaska Railroad be responsive to the needs and concerns of its industry clients by providing quality professional service at competitive rates," an indirect reference to perceived problems in the railroad's ongoing negotiations with Idemitsu Alaska on coal tariff rates from the proposed new Wishbone Hill mine near Palmer.
- On state land reclamation, the commission urged "enough site specific flexibility (to be) included in legislation and regulation to allow for local conditions...programs should be based on performance rather than design standards."
- On work-site flexibility, the commission urged legislation to allow work schedules based on project conditions, permitting efficient use of labor.

... Business ...

Access to State, Local Agency Data:

Several communications and information bills are before House State Affairs Committee. HB-405, by Rep. Kay Brown, received its first public hearing last week in State Affairs. The bill would assure public access to state and municipal government's electronic data, and would set up a structure for state and municipal agencies to provide public access to records, and a means for agencies to recapture costs of providing such services. Issues discussed at State Affairs included the burden on public agencies to provide information in formats requested by the public, complaints from people who don't want their names added to commercial mailing lists (applicants for fishing licenses or permanent fund dividends, etc.) HB-405 will stay in State Affairs for further work.

Computer "Hacking" Laws: Rep. H.A.

(Red) Boucher's new HB 378, designed to strengthen current laws pertaining to criminal use of computers, is aimed at bringing Alaska law more in line with that of other states. Existing law does not provide for prosecution of individuals for destruction of hardware, or for disruption or denial of computer services, Boucher's staff says. Committee staff is currently working with the Department of Law on the bill; it is expected to be heard by the State Affairs committee this week or next.

Department of Information Services:

Another bill, part of a package of information technology bills introduced by Boucher and Rep. Brown, creates a new Department of Information Services. If HB-397 passes, it will take the Division of Information Services out of the Department of Administration and gives it departmental status. Charge of the new department will be to manage the state's information resources. HB-397 received its first public hearing in House State Affairs. The committee heard from Ed Levine, a Florida legislative staffer, who said that HB-397 is "right in line" with efforts in other states to more effectively manage information.

University Information Technology: HB

402, also introduced by Rep. Boucher, calls for establishment of a center for information technology at the University of Alaska Anchorage, appropriating \$940,300 for the center's first-year (Cont. right)

operational costs. Eventually, the CIT would be expected to be self-supporting through fees charged for services. The bill is now in State Affairs Committee but is not expected to be heard until the committee receives recommendations from the university as to how the state and the university can work jointly on the project.

Boat Operators: P&I Insurance

Legislation which would provide for non-duplication of insurance requirements for commercial fisheries vessels doing work other than commercial fisheries has been introduced by Sen. Zharoff. This bill was introduced in response to a common situation last year in Prince William Sound, when commercial fishing vessels were chartered to work on the oil spill. While commercial fishing, vessel owners are not required to have workmen's compensation insurance, nor unemployment insurance for their crewmembers. Instead, vessel owners are required to be covered by P & I (protection and indemnity) insurance.

In Prince William Sound last year, captains of vessels performing oil spill functions were told by Department of Labor that they would be required to obtain workmen's compensation insurance and unemployment insurance for their crews, therefore strapping vessels owners with duplicative insurance requirements. SB 338 seeks to exempt vessel owners from the requirement that they obtain insurance additional to the currently required P & I coverage. Committee action is not expected for two or three weeks, as Senate staff works with the Departments of Labor and Law to revamp the bill to better carry out its original intent.

Auto Franchises: Sen. Jim Duncan's SB-349

(new auto franchises) passed out of Senate Labor and Commerce Committee with no substantial changes, and is now in Finance. SB-349 requires that all dealers of new cars in Alaska be franchised by the car manufacturer, in response to concerns from constituents about the dealings of brokers who buy up quantities of cars in the lower 48, and sell them as "new" cars in Alaska. Brokers may continue their dealings as before, as long as they represent themselves as the original owner of the car. SB-349 is primarily a consumer protection measure, barring non-franchise owners from representing their merchandise as "new."

Phasing out AHFC's Home Mortgage Subsidy (Cont.)

(Continued from Page 1) The Ernst & Young report said that if legislators move quickly, the subsidy program can be ended with virtually no effect on housing markets. Interest rates are now below AHFC's subsidy threshold, so that a temporary "window of opportunity" is available to eliminate the program without harmful effects. Ernst and Young said AHFC's generous home-loan subsidies has effectively drained away the value of almost all of \$1 billion in state equity contributions, and unless subsidies are eliminated or the state puts more cash into AHFC (an unlikely prospect) AHFC's capital base, and its ability to provide any housing assistance, will be eroded. If subsidies are eliminated, the effect will be to increase AHFC's liquid net assets by \$43 to \$91 million, depending on market conditions and interest rates, over the next five years, the consultant group said.

The state has invested over \$1 billion in Alaska Housing Finance Corp., \$808 million of which was appropriated to overcollateralize loans so that Alaskans could get the benefits of interest rate subsidies. As of June 30, 1989, AHFC had \$300 million in retained earnings, but these were mainly a result of interest earned on state contributions. Without those contributions, AHFC would show a deficit, Ernst & Young said. AHFC also showed \$519 million in assets not pledged as collateral for bonds; but "a fairly significant portion of these assets may not be liquid, if collectable or realizable at all," Ernst & Young said. After adjusting for assets considered non-liquid, Ernst & Young estimated AHFC's real unrestricted net assets at only \$10 million, as of June 30.

In the Wake of Oilspill Hearings: Bills to Watch (Cont.)

(Continued from Page 1) legislation whether introduced by the administration or legislators, but details are yet to be worked out. Two things that impressed House members sitting through extensive spill hearings: First, in terms of enforcing tanker structural and design standards, interstate compacts may be the best way to go. Such compacts have the best chance of withstanding challenges under federal preemption, legal advisors told legislators. Compacts are complex to negotiate, however, and getting four states and British Columbia, for example, to agree on structural changes like double-bottomed hulls and bow-thrusters on tankers will involve lengthy negotiations.

Secondly, potential advantages of such a compact were illustrated by spill scenarios developed by the commission's consultants. One involved a sinking of a large tankship 50 miles off the British Columbia coast (on current routes), spilling 75 million gallons. Studies indicated this would wash ashore all the way up into Southeast Alaska. But a tanker route 100 miles offshore, which could be required under a compact, would result in oil touching shore at one isolated point, studies showed.

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New Spending Limits!

Several proposals for state 'Graham-Rudman'-type spending limits are in the hopper, including one by Sen. Paul Fischer and three in the House. House Fiscal Policy Subcommittee and Rep. Steve Reiger have separate spending limit bills in that would freeze spending at 1989 levels, in effect working a gradual reduction through inflation. Rep. Randy Phillips has two fiscal reform measures in: Phillips' HB-384 would roll back state spending \$150 million yearly through FY 1995, then cap the budget. A second bill, HB-383, would require all appropriation measures, particularly the budget, to be passed and to the governor by the 90th day, leaving the last 30 days of the session for the legislature to deal with policy issues.

ALASKA STATE LEGISLATURE • SENATE

SENATOR RICHARD I. ELIASON

LABOR & COMMERCE COMMITTEE, CHAIRMAN
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RULES COMMITTEE
SPECIAL COMMITTEE ON HIGH SEAS
SALMON INTERCEPTION
SELECT COMMITTEE ON
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**** PRESS RELEASE ** FOR IMMEDIATE RELEASE ** PRESS RELEASE ****

ELIASON PROPOSES LAW TO BAN COMMERCIAL FISH FARMING

¹⁹⁹⁰
JAN. 19, 1989. Senator Dick Eliason (R-Sitka) today introduced legislation to prohibit commercial finfish farming in Alaska.

"It's clear to me that the serious risks to Alaska and our fishery resources far outweigh any potential benefits from finfish farming. We stand to lose much more than we could ever gain," Eliason explained. "In my view it would be highly irresponsible to allow it. Quite a few of my colleagues seem to agree that the time has come to make a final determination on this and get on with other issues," he said, referring to co-sponsorship of the bill by many Senate members.

Prior to introducing the legislation, Senator Eliason studied the final report of the Finfish Farming Task Force, a non-legislative group which released its final recommendations to the legislature earlier this week. One of the report's recommendations is that the legislature act to resolve the finfish farming issue, rather than extending the current moratorium.

The question of whether to allow the commercial farming of finfish has plagued the state Legislature for several years. Two consecutive moratoriums temporarily prohibiting finfish farming have been enacted, the last of which expires July 1 of this year.

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ALASKA STATE LEGISLATURE · SENATE

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1/19/90

SETTLING THE FISH FARMING DEBATE:

NOW IS THE TIME TO SAY "NO"

Senator Dick Eliason

After four years of discussion on the subject of mariculture, the time has come for the Legislature to end the debate on fish farming and resolve the matter once and for all.

The grave problems associated with fish farms operating in other states and countries, the testimony of witnesses from Ketchikan to Bristol Bay expressing staunch opposition to the legalization of fish farm operations, and the findings and recommendations contained in the recently released report of the Finfish Farming Task Force have led me to introduce legislation prohibiting commercial finfish farming in Alaska.

Several years ago, when the issue of fish farming was first raised, the Legislature recognized the need to proceed slowly and withhold action until more information could be gathered. We have enacted two consecutive moratoriums on finfish farming and in 1988 called for a non-legislative task force to examine the key issues pertaining to finfish farming in Alaska and providing a well-balanced report to the legislature. The group, which completed its work this month, has done a commendable job of laying out the pertinent facts, noting several possible benefits and some serious risks, and leaves

to the legislature the disposition of the issue. One of the main conclusions in the report is that the legislature should not simply extend the current moratorium on finfish farming (expiring in July), but should instead enact a law either allowing or prohibiting finfish farming.

The legislation I introduced, Senate Bill 397, reflects the concerns addressed in the task force report. In evaluating the costs and benefits of fish farming identified in the report, it seems apparent to me that the serious risks outweigh any potential benefits. These risks include the spread of disease among wild fish by farmed fish, genetic intermingling of wild fish stocks with farmed fish unsuited to survival in the wild, degradation of water quality near finfish farms, and land use conflicts over farm siting. The report acknowledges that these potential threats to Alaska's valuable fishery resources and the environment can never be eliminated if fish farming is permitted, they can only be minimized.

Minimizing the risks would be accomplished largely through state regulation, which would necessitate a substantial expenditure of public funds. I don't believe the public would support such an expenditure when there it is unlikely that a fish farming industry can succeed here, and nobody can guarantee the absolute protection of wild fish stocks upon which commercial fishing, subsistence harvests, recreational fishing, and increasing sportfish-based tourism depend.

Although the proposed ban on finfish farming is necessitated by the legislature's responsibility to protect Alaska's natural resources, I have some additional personal concerns. The proponents of finfish farming speak of "employment" and "economic development." The truth is that fish farms employ very few people, approximately 3 people per farm. Is that worth risking harm to resources which currently support, among other things, Alaska's commercial fishing industry: our largest employer and second only to "Big Oil" in terms of its value to the state in dollars? Furthermore, I am concerned about the fact that most of the private sector investment in any finfish farming industry in Alaska will not be by Alaskans. Even if the industry were to make a profit here, much of it would leave the state.

We are fortunate to have resisted jumping into such a volatile enterprise -- lucky that during our moratoriums we have been able to learn from others' mistakes. We have seen genetics and disease problems cropping up at Norwegian fish farms, water contamination problems in Washington, and some of British Columbia's leading fish farms on the brink of bankruptcy, due in part to a glut of farmed salmon on the world market requiring many to sell below cost.

A couple of other good things emerged from the extended debate stimulated by the proposal of mariculture legislation. The question of shellfish and sea vegetable cultivation was divided from the fish farming issue during the course of legislative work on the issue. This has, in turn, given rise

to a fledgling industry to which Alaska has given both its blessing and the benefit of a comprehensive regulatory process.

Another positive aspect of the long discussion on the issue was the great degree of public participation which was achieved. Public awareness of the implications of launching a fish-farming industry in Alaska led to the expression of concern, and finally staunch opposition from the majority of Alaskans interested in the issue.

In response to all that we have learned, the responsible course of action is for the legislature to now move swiftly in adopting legislation prohibiting finfish farming and thus settling the debate once and for all.

BY SEN. ELIASON, Jones, Kerttula, Zharoff, Duncan, Adams, Binkley, Coghill, Faiks, Fischer, Halford, Kelly, Rodey, Szymanski, Uehling

IN THE SENATE

SENATE BILL NO. 397

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act prohibiting finfish farming; and providing for an effective date."

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

* Section 1. FINDINGS. Based on a legislative examination of the potential effects of allowing finfish farming in the state on the common property resources and on the overall economic well-being of the state; the number of serious concerns associated with finfish farming and the need for study of finfish farming that has caused the legislature to enact two moratoriums on finfish farming and establish a nonlegislative task force to study the issue and to report its findings and recommendations to the legislature; a review of the final report of the Alaska Finfish Farming Task Force which notes several possible benefits and some serious risks of finfish farming; the need for the legislature to take action before the current moratorium on finfish farming expires on July 1, 1990; the recommendation of the task force that the legislature not extend the moratorium, but make a final determination to either allow or prohibit finfish farming; and the testimony and evidence received; the legislature finds that

(1) the state has the healthiest stocks of wild salmon and other wild finfish in the world and benefits from thriving commercial, sport, and subsistence fisheries for these fish and a growing tourism industry related to sport fishing;

(2) the people, economy, and environment of the state are dependent in large measure upon the continued health of the state's wild finfish

resources;

(3) serious risks are posed by commercial finfish farming, including the spread of disease among wild fish by farmed fish, genetic intermingling of wild fish stocks with genetically manipulated farmed fish, degradation of water quality near finfish farms, and land use conflicts over the siting of commercial finfish farms;

(4) the state has invested significantly in marketing efforts to promote Alaskan finfish as wild and natural fish products, and this investment in developing the reputation of Alaskan finfish would be lost by allowing commercially farmed finfish to be produced and marketed from Alaska;

(5) the cost to the state to regulate the commercial finfish farming industry would be high;

(6) few jobs would be generated by a commercial finfish farming industry in the state;

(7) the state is responsible for ensuring the protection and wise use of the renewable natural resources of Alaska and providing a framework for a sound economy;

(8) a long-term decision must be made regarding the future of commercial finfish farming in the state;

(9) avoiding harm to the state's wild finfish, land, and water resources must take precedence over the development of a new speculative and potentially harmful commercial finfish farming industry;

(10) the best interests of the state are served by prohibiting commercial finfish farming.

* Sec. 2. AS 16.40 is amended by adding a new section to read:

Sec. 16.40.210. FINFISH FARMING PROHIBITED. (a) A person may not grow or cultivate finfish in captivity or under positive control for commercial purposes.

- 1 (b) This section does not apply to
2 (1) the fishery rehabilitation, enhancement, or development
3 activities of the department;
4 (2) nonprofit corporations that hold permits under AS 16.-
5 10.400;
6 (3) the incidental sale of finfish held for scientific or
7 educational purposes under a permit issued by the department;
8 (4) rearing and sale of finfish for aquariums or ornamental
9 ponds.

10 * Sec. 3. This Act takes effect July 1, 1990.
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