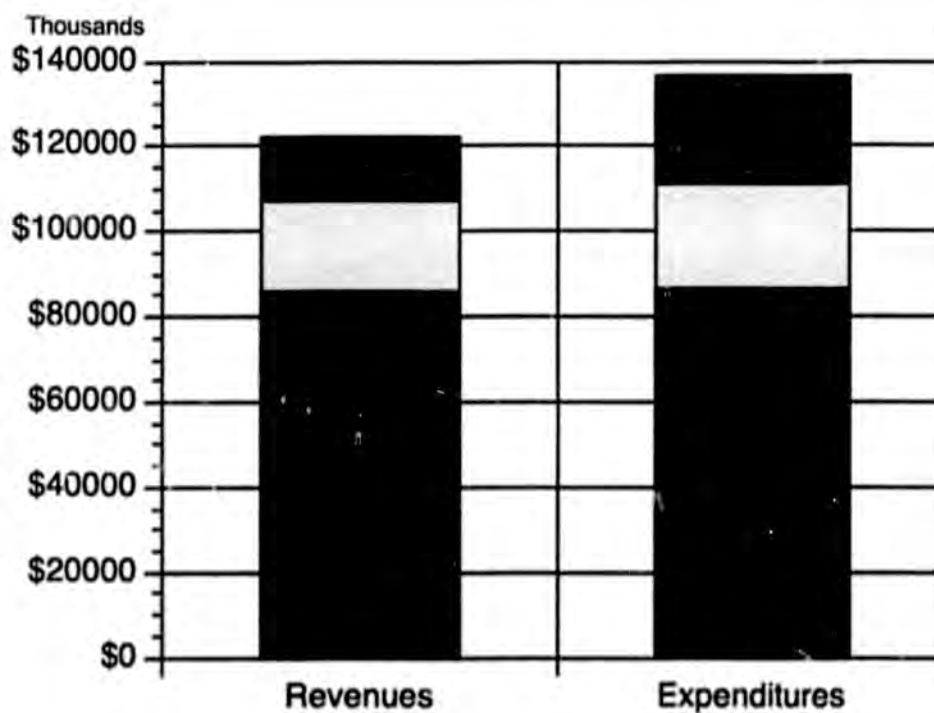


ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 0074
2205 SCOMM 87: HOUSE SPECIAL COMMITTEE ON FISHERIES, 1993-94 809

SCOMM

87:2

AN ANALYSIS OF THE FISH AND WILDLIFE REVENUES AND EXPENDITURES OF STATE GOVERNMENT IN FY93



Alaska Department of Fish and Game
Kim Garnero and Geron Bruce
January 1994

Legislative Research Agency study of FY88 also included the shared taxes on the revenue side of the ledger.

5. Additional revenue sources for some of the expenditures attributed to fish and wildlife are identified in this analysis. These include matching federally funded expenditures identified in departments other than ADF&G with revenues. Civil fines and criminal penalties collected as a result of law enforcement is another example of a revenue that was not considered by the earlier studies. We have also included as an offsetting revenue the portion of the interest paid in FY93 from the fishing loan programs. This revenue is transferred to the general fund to cover the cost of administering the fishing loan programs. A final example of these additional revenues is the oil spill settlement receipts which refund Exxon Valdez litigation costs.

Results of FY93 Analysis:

	Fish	Wildlife
Revenues:	\$107.4 million	\$15.2 million
Expenditures:	\$110.1 million	\$24.9 million

Fisheries business taxes were at a high point in FY93 due to large salmon and shellfish harvests and good prices. The Fisheries Business Tax Credit program had sunset the previous year so the full amount of the tax was collected in FY93. Increased sport hunting and fishing license fees also took effect January 1, 1993 and contributed to an increase in revenue to the Fish and Game Fund.

Revenues covered \$.97 out of every dollar spent by state agencies to manage and regulate subsistence, commercial, sport and personal use fisheries. Out of every dollar spent by state agencies to manage and regulate trapping, subsistence and sport hunting \$.61 was covered by revenues.

Outlook for FY94:

This analysis represents a snapshot of only one year. Sport hunting and fishing revenues from the sale of state licenses should increase in FY94 as this will be the first, full year under the higher license fees enacted in 1992. The fisheries business tax revenues will be dropping as a result of poor salmon prices paid during the 1993 season. A new landing tax on fish will offset this decline somewhat. Also new in FY94, is a salmon marketing tax. This tax replaces state aid to the Alaska Seafood Marketing Institute.

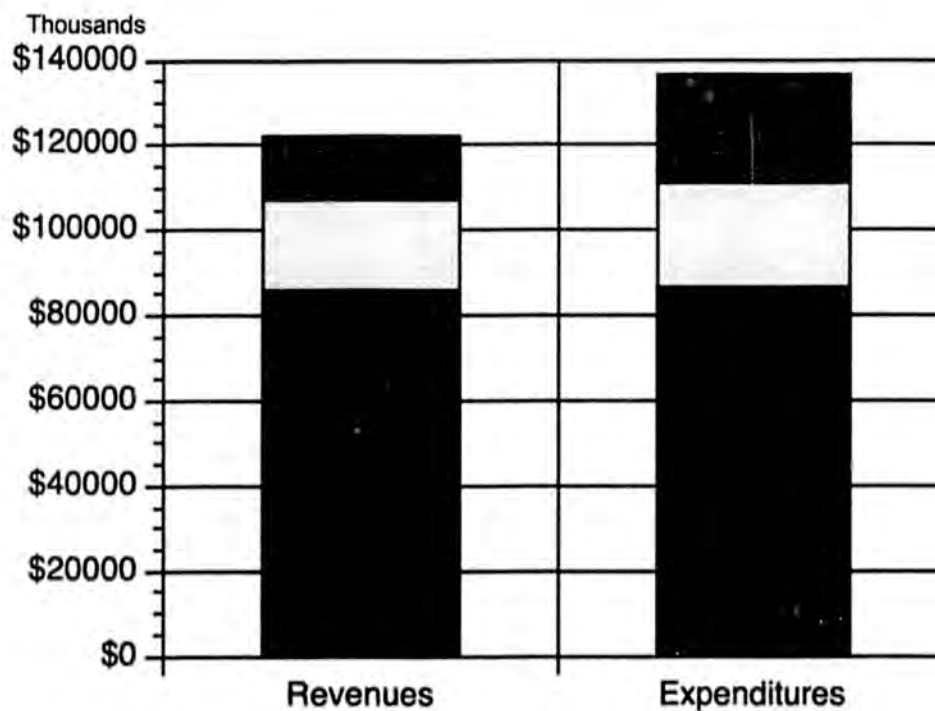
Expenditures for management continue to decline. The apparent increase between the FY93 expenditure levels (\$110.1 for fish and \$24.9 million for wildlife) and FY92 (\$103.5 and \$23.3) becomes a decrease when the additional operating and capital expenditures included in the analysis by ADF&G are factored out.

ADF&G plans to perform the analysis on FY94's expenditures and revenues as soon as reliable data is available.

CORRECTION

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

AN ANALYSIS OF THE FISH AND WILDLIFE REVENUES AND EXPENDITURES OF STATE GOVERNMENT IN FY93



Alaska Department of Fish and Game
Kim Garner and Geron Bruce
January 1994

Fish and Wildlife Revenues and Expenditures

This analysis estimates revenue received by state government from Alaska's fish and wildlife resources during FY93. It compares this revenue to the expenditures of state government during FY93 associated with the management, use and protection of these resources.

The model presented follows the method used by the Legislative Research Agency in its prior analysis of FY88 and FY92 (Legislative Research Requests 90.019 and 93.102). The Legislative Research Agency looked at all natural resource revenues and expenditures, this ADF&G study looks only at fish and wildlife revenues and expenditures.

This analysis can be updated annually with little research necessary outside of ADF&G. Much of the information is available from the Alaska Statewide Accounting System. Expenditures requiring specific program knowledge from other departments are an immaterial component of the analysis and the FY92 data compiled by Legislative Research will suffice.

There are some notable differences with the FY92 study which we want to identify for the reader.

1. All operating expenditures in ADF&G were attributed to either fish or wildlife. The Legislative Research model omits some expenditures, including those for administration and the commissioner's office.
2. Capital expenditures in ADF&G and the Department of Public Safety were included in this analysis. The Legislative Research model reports only operating expenditures.
3. Mental health litigation costs are not included as fish or wildlife expenditures as they were in the Legislative Research model. After discussion with the Department of Law administrative staff, we conclude that these expenditures are not related to fish and wildlife activities.
4. The portion of the fisheries business tax shared with local government is not subtracted from the fisheries revenues in this analysis as it is in the FY92 Legislative Research study. These revenues are clearly a benefit to the state from the commercial harvest of its fisheries resources. If these funds were not available, then state government would either have to find revenue from another source to assist local governments, or it would have to forego such assistance.

The distribution of these shared revenues cannot be considered an expenditure of these revenues on management, regulation, or protection of the state's fisheries resources. There are no restrictions on the purposes for which local governments may spend their portion of the shared fisheries business tax. Local governments are free to use this shared revenue in any manner they choose.

Inclusion of the shared portion of the fishery's business tax is consistent with the approach taken by the Institute of Social and Economic Research in its economic report on the seafood sector of the Alaskan economy. The

Legislative Research Agency study of FY88 also included the shared taxes on the revenue side of the ledger.

5. Additional revenue sources for some of the expenditures attributed to fish and wildlife are identified in this analysis. These include matching federally funded expenditures identified in departments other than ADF&G with revenues. Civil fines and criminal penalties collected as a result of law enforcement is another example of a revenue that was not considered by the earlier studies. We have also included as an offsetting revenue the portion of the interest paid in FY93 from the fishing loan programs. This revenue is transferred to the general fund to cover the cost of administering the fishing loan programs. A final example of these additional revenues is the oil spill settlement receipts which refund Exxon Valdez litigation costs.

Results of FY93 Analysis:

	Fish	Wildlife
Revenues:	\$107.4 million	\$15.2 million
Expenditures:	\$110.1 million	\$24.9 million

Fisheries business taxes were at a high point in FY93 due to large salmon and shellfish harvests and good prices. The Fisheries Business Tax Credit program had sunset the previous year so the full amount of the tax was collected in FY93. Increased sport hunting and fishing license fees also took effect January 1, 1993 and contributed to an increase in revenue to the Fish and Game Fund.

Revenues covered \$.97 out of every dollar spent by state agencies to manage and regulate subsistence, commercial, sport and personal use fisheries. Out of every dollar spent by state agencies to manage and regulate trapping, subsistence and sport hunting \$.61 was covered by revenues.

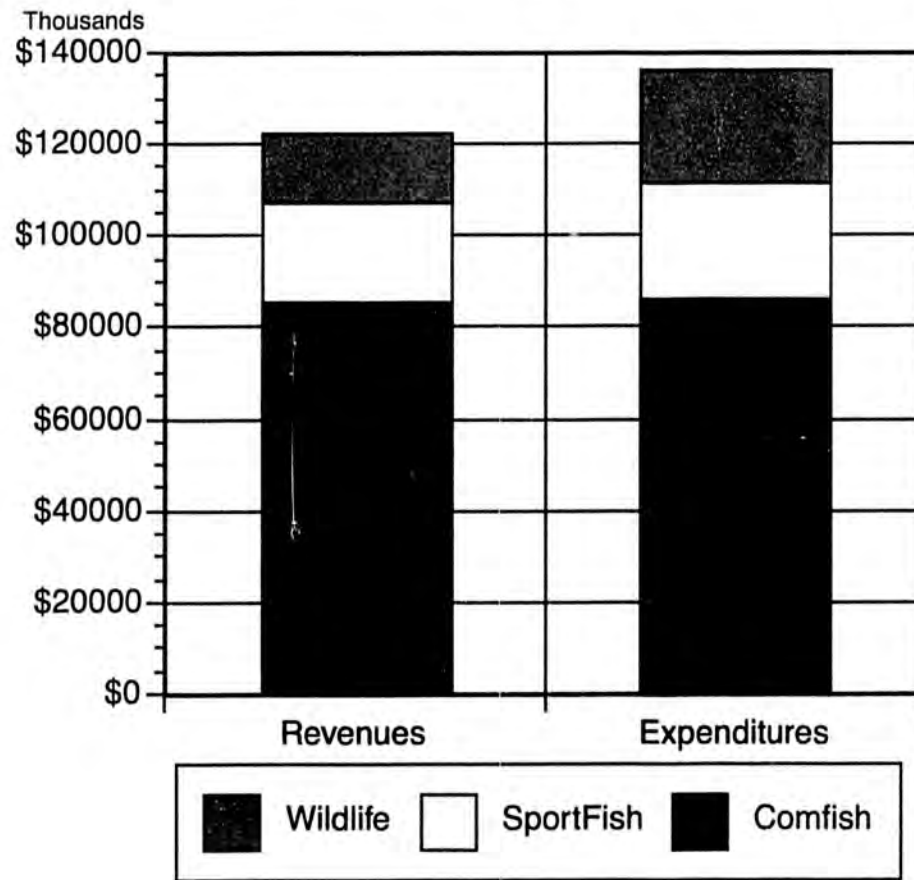
Outlook for FY94:

This analysis represents a snapshot of only one year. Sport hunting and fishing revenues from the sale of state licenses should increase in FY94 as this will be the first, full year under the higher license fees enacted in 1992. The fisheries business tax revenues will be dropping as a result of poor salmon prices paid during the 1993 season. A new landing tax on fish will offset this decline somewhat. Also new in FY94, is a salmon marketing tax. This tax replaces state aid to the Alaska Seafood Marketing Institute.

Expenditures for management continue to decline. The apparent increase between the FY93 expenditure levels (\$110.1 for fish and \$24.9 million for wildlife) and FY92 (\$103.5 and \$23.3) becomes a decrease when the additional operating and capital expenditures included in the analysis by ADF&G are factored out.

ADF&G plans to perform the analysis on FY94's expenditures and revenues as soon as reliable data is available.

State of Alaska
Fish and Wildlife Revenues and Expenditures in
FY93

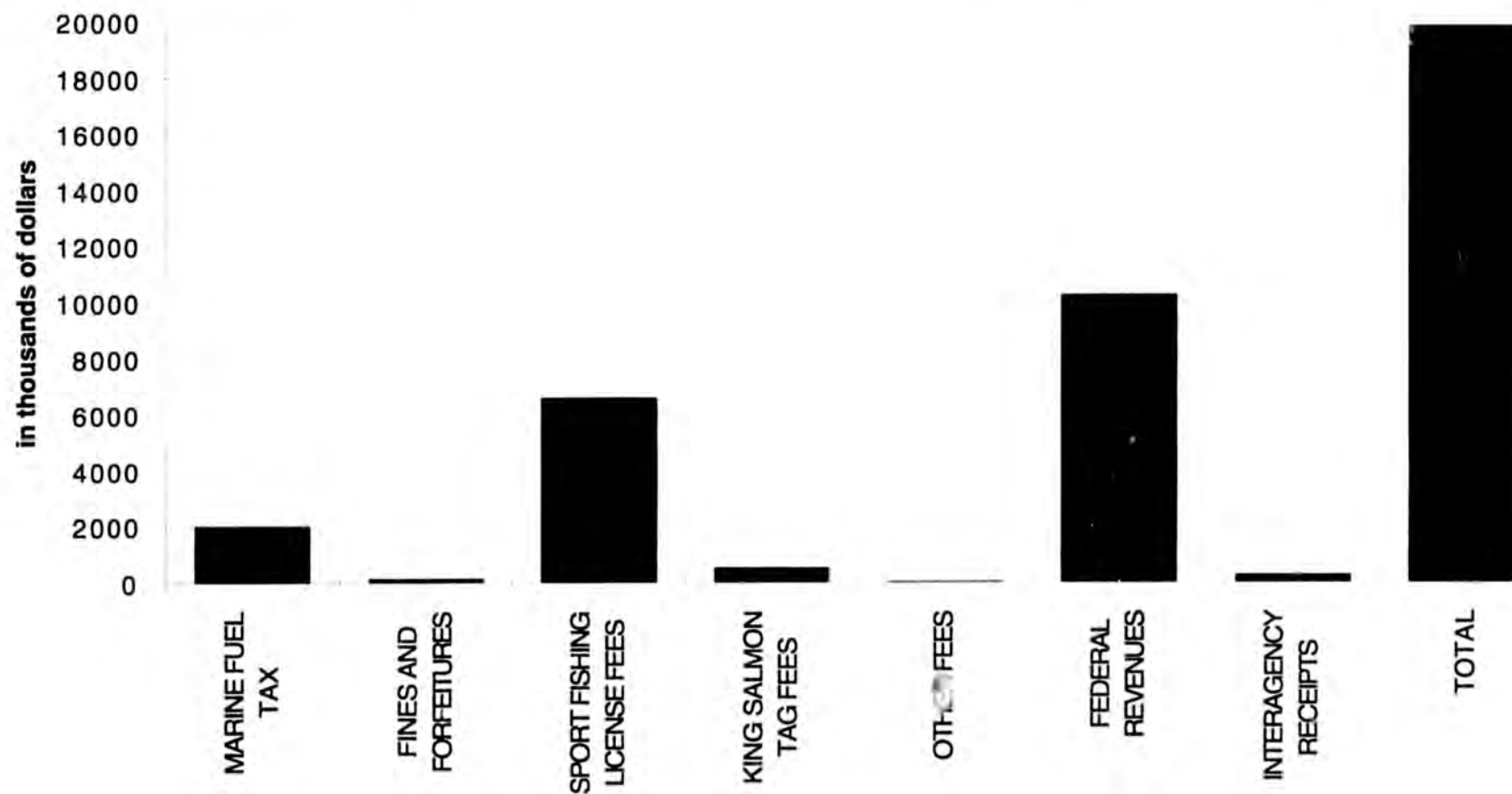


SUMMARY OF STATE OF ALASKA FISH AND WILDLIFE REVENUES IN FY93

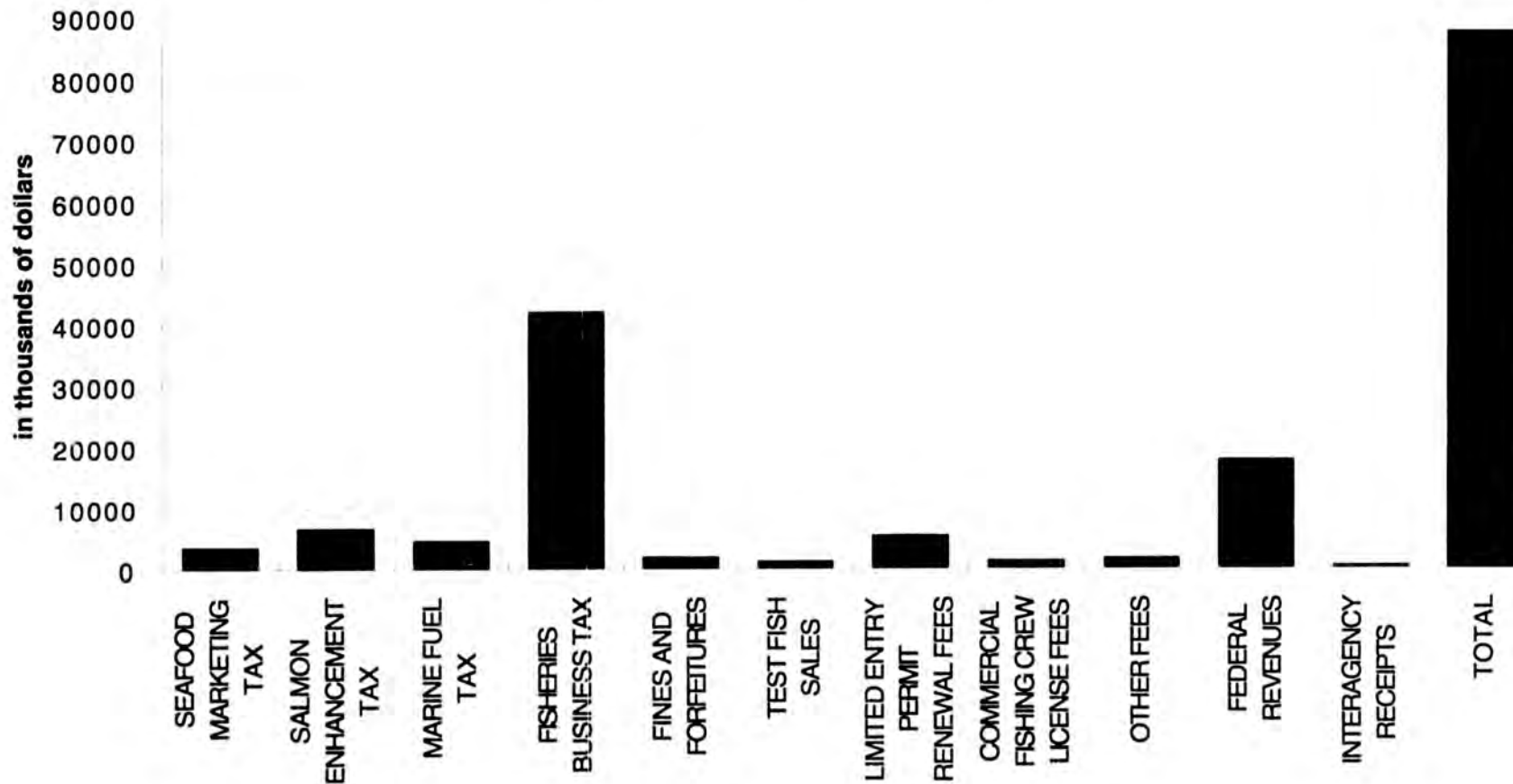
(in thousands of dollars)

REVENUE SOURCE	SPORT FISHING	COMMERCIAL FISHING	WILDLIFE	DEPARTMENT TOTALS
SEAFOOD MARKETING TAX		\$3,563.3		\$3,563.3
SALMON ENHANCEMENT TAX		\$6,745.8		\$6,745.8
MARINE FUEL TAX	\$1,987.2	\$4,636.7		\$6,623.9
FISHERIES BUSINESS TAX		\$42,165.8		\$42,165.8
FINES AND FORFEITURES	\$152.8	\$1,922.6	\$647.1	\$2,722.5
TEST FISH SALES		\$1,324.9		\$1,324.9
OTHER SALES			\$328.0	\$328.0
LIMITED ENTRY PERMIT RENEWAL FEES		\$5,490.2		\$5,490.2
COMMERCIAL FISHING CREW LICENSE FEES		\$1,411.8		\$1,411.8
SPORT FISHING LICENSE FEES	\$6,601.0			\$6,601.0
KING SALMON TAG FEES	\$526.6			\$526.6
HUNTING LICENSES AND TAG FEES			\$5,482.4	\$5,482.4
OTHER FEES	\$45.2	\$1,763.8	\$555.7	\$2,364.7
FEDERAL REVENUES	\$10,269.0	\$17,857.6	\$7,963.0	\$36,089.6
INTERAGENCY RECEIPTS	\$269.6	\$632.2	\$251.6	\$1,153.4
TOTAL	\$19,851.4	\$87,514.7	\$15,227.8	\$122,593.9

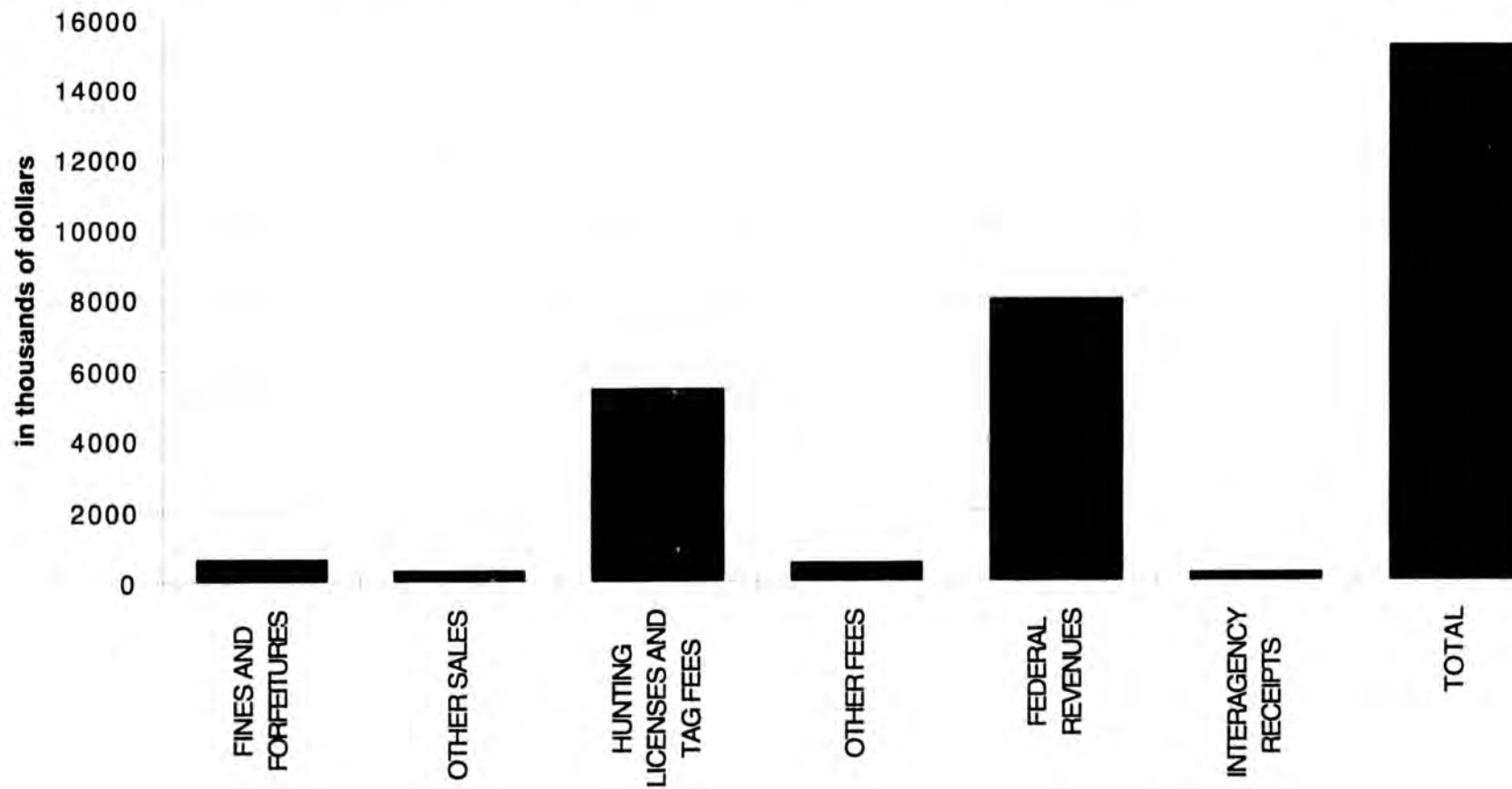
SUMMARY OF FY93 REVENUES TO STATE OF ALASKA FROM SPORT FISHING



SUMMARY OF FY93 REVENUES TO STATE OF ALASKA FROM COMMERCIAL FISHING



SUMMARY OF FY93 REVENUES TO STATE OF ALASKA FROM WILDLIFE



COMMERCIAL FISH REVENUES RECEIVED BY THE STATE OF ALASKA IN FY93

REVENUE SOURCE	TOTAL Revenues	General Fund	Federal Funds	Fish & Game Fund	Fishermen Fund	Loan Funds
TAXES:						
Alaska Net Income Tax	Unknown (a)					
Seafood Marketing Assessment (b)	3,563.3	3,563.3				
Salmon Enhancement Tax (b)	6,745.8	6,745.8				
Marine Fuel Tax (8,831.8 @ 75% * 70%) (c)	4,636.7	4,636.7				
Fisheries Business Tax	42,165.8	42,165.8				
FINES AND FORFEITURES:						
Criminal Penalties	1,213.3	1,213.3				
Civil Fines	79.0	79.0				
Judgment Settlements	273.6			273.6		
Exxon Valdez Settlements	356.7	356.7				
SALES:						
Test Fish Sales	1,324.9	1,324.9				
FEES:						
Commercial Fishing Licenses	1,411.8	360.7			1,051.1	
Limited Entry Permits	5,490.2	5,049.0			441.2	
Housing Rental at Hatcheries	105.6	105.6				
Fish loan fund transfers to GF	1,658.2					1,658.2
FEDERAL REVENUES:						
USDA Funds for ASMI	7,425.5		7,425.5			
US Dept. of Commerce	7,537.4		7,537.4			
Dingell Johnson	1,897.4		1,897.4			
Other federal programs within ADF&G	496.3		496.3			
Fed revs identified by other agencies exps	501.0		501.0			
IA RECEIPTS FROM OUTSIDE ADF&G	632.2	632.2				

COMMERCIAL FISH REVENUE TOTAL	87,514.7	66,233.0	17,857.6	273.6	1,492.3	1,658.2
--------------------------------------	-----------------	-----------------	-----------------	--------------	----------------	----------------

NOTES:

(a) The Alaska Department of Revenue (DOR) is unable to disaggregate the \$37.6 million in corporate income tax collected in FY93 from all non-petroleum corporations.

(b) Seafood marketing and salmon enhancement taxes are passed through to ASMI and aquaculture associations, respectively. Revenues are included here and respective expenditures are included in the Department of Commerce in this analysis.

(c) This assumes that approximately 75% of the total marine fuel taxes collected are attributable to commercial (70%) and sport (30%) fisheries.

SOURCES:

ADF&G = Alaska Dept. of Fish & Game; DPS = Dept. of Public Safety; DOR = Dept. of Revenue, Income and Excise Audit Division; AKSAS = Alaska Statewide Accounting System

SPORT FISH REVENUES RECEIVED BY THE STATE OF ALASKA IN FY93

REVENUE SOURCE	TOTAL Revenues	General Fund	Federal Funds	Fish & Game Fund	Fishermen Fund
TAXES:					
Marine Fuel Tax (8,831.8 @ 75% * 30%) (c)	1,987.2	1,987.2			
FINES AND FORFEITURES:					
Exxon Valdez Settlements	152.8	152.8			
FEE:					
Sportfishing Licenses	6,601.0			6,601.0	
King Salmon Stamps	526.6			526.6	
Housing Rental at Hatcheries	45.2	45.2			
FEDERAL REVENUES:					
Dingell-Johnson Funds	8,740.6		8,740.6		
US Dept. of Commerce	1,304.6		1,304.6		
Other federal programs within ADF&G	223.8		223.8		
IA RECEIPTS FROM OUTSIDE ADF&G	269.6	269.6			

SPORT FISH REVENUE TOTAL	19,851.4	2,454.8	10,269.0	7,127.6	0.0
---------------------------------	-----------------	----------------	-----------------	----------------	------------

NOTES:

- (a) The Alaska Department of Revenue (DOR) is unable to disaggregate the \$37.6 million in corporate income tax collected in FY93 from all non-petroleum corporations.
- (b) Seafood marketing and salmon enhancement taxes are passed through to ASMI and aquaculture associations, respectively. Revenues are included here and respective expenditures are included in the Department of Commerce in this analysis.
- (c) This assumes that approximately 75% of the total marine fuel taxes collected are attributable to commercial (70%) and sport (30%) fisheries.

SOURCES:

ADF&G = Alaska Dept. of Fish & Game; DPS = Dept. of Public Safety; DOR = Dept. of Revenue, Income and Excise Audit Division; AKSAS = Alaska Statewide Accounting System

Prepared by Kim Garner, ADF&G Finance Officer, January 1994

WILDLIFE REVENUES RECEIVED BY THE STATE OF ALASKA IN FY93

REVENUE SOURCE	TOTAL Gross Revenues	General Fund	Federal Funds	Fish & Game Fund
FINES AND FORFEITURES:				
Criminal Penalties	137.6	137.6		
Exxon Valdez Settlements	509.5	509.5		
SALES:				
Waterfowl Conservation Prints	311.6	311.6		
Hide and Ivory Sales	16.4			16.4
FEES:				
APPLICATION AND USER FEES:				
Drawing Hunts	447.1			447.1
Wildlife Refuge Receipts	8.9	8.9		
Rabbit Creek Rifle Range	55.9	55.9		
McNeil River Sanctuary	43.8	16.2		27.6
LICENSES AND TAGS:				
Hunting Licenses and Tags	5,266.6			5,266.6
Trapping Licenses	101.2			101.2
Waterfowl Conservation Tags	98.7			98.7
Special Licenses	14.4	14.4		
Business Licenses	1.5	1.5		
FEDERAL REVENUES:				
Pittman-Robertson Funds	5,902.5		5,902.5	
US Dept. of Commerce	943.9		943.9	
Other federal programs within ADF&G	1,066.8		1,066.8	
Fed revs identified by other agencies exps	49.8		49.8	
IA RECEIPTS FROM OUTSIDE ADF&G	251.6	251.6		

WILDLIFE REVENUE TOTAL	15,227.8	1,307.2	7,963.0	5,957.6
-------------------------------	-----------------	----------------	----------------	----------------

NOTES:

(a) The Alaska Department of Revenue (DOR) is unable to disaggregate the \$37.6 million in corporate income tax collected in FY93 from all non-petroleum corporations.

SOURCES:

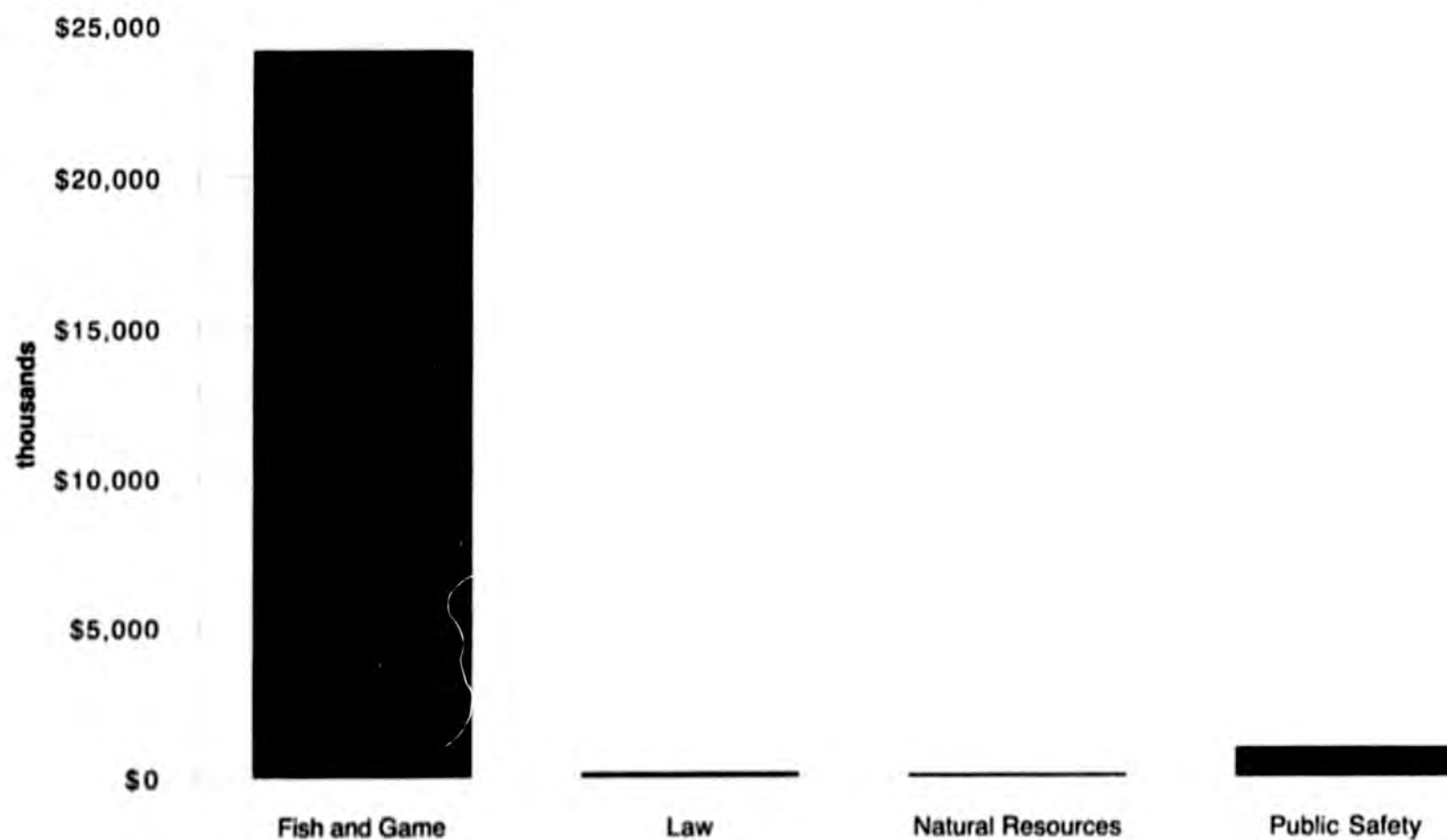
ADF&G = Alaska Dept. of Fish & Game; DPS = Dept. of Public Safety; DCED = Dept. of Commerce and Economic Development; AKSAS = Alaska Statewide Accounting System

STATE OF ALASKA OPERATING EXPENDITURES FOR FY93

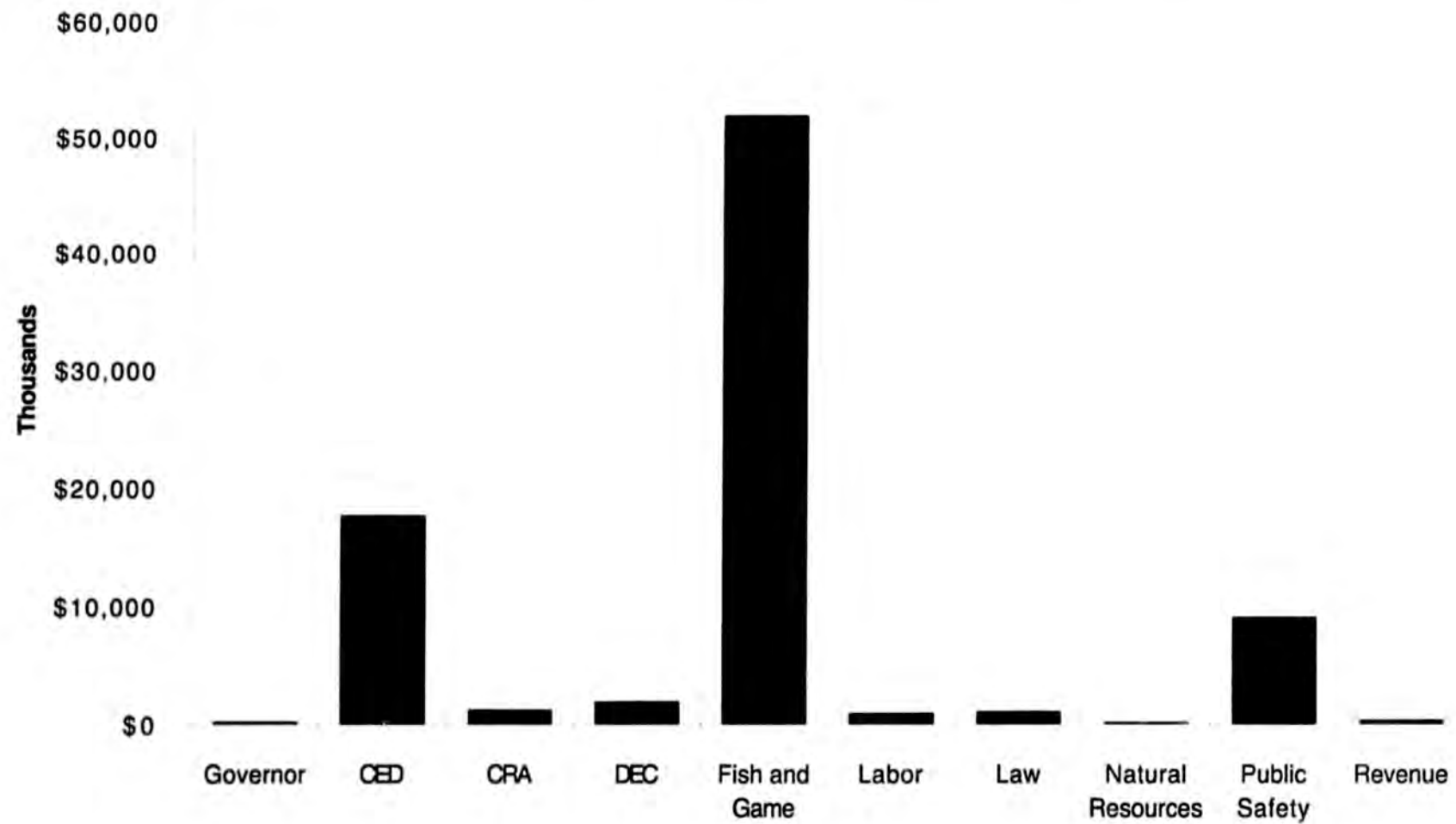
(in thousands of dollars)

DEPARTMENT	SPORT FISHING	COMMERCIAL FISHING	WILDLIFE	DEPARTMENT TOTALS
Governor		\$245.6	\$83.6	\$329.2
CED		\$17,701.9	\$195.5	\$17,897.4
CRA		\$1,245.7	\$251.3	\$1,497.0
DEC		\$1,943.2	\$26.0	\$1,969.2
Fish and Game	\$24,150.8	\$51,907.9	\$17,928.3	\$93,987.0
Labor		\$959.9	\$53.9	\$1,013.8
Law	\$152.8	\$1,077.6	\$793.8	\$2,024.2
Natural Resources	\$96.9	\$226.2	\$327.9	\$651.0
Public Safety	\$950.0	\$9,049.7	\$5,251.2	\$15,250.9
Revenue		\$405.6		\$405.6
Total	\$25,350.5	\$84,763.3	\$24,911.5	\$135,025.3

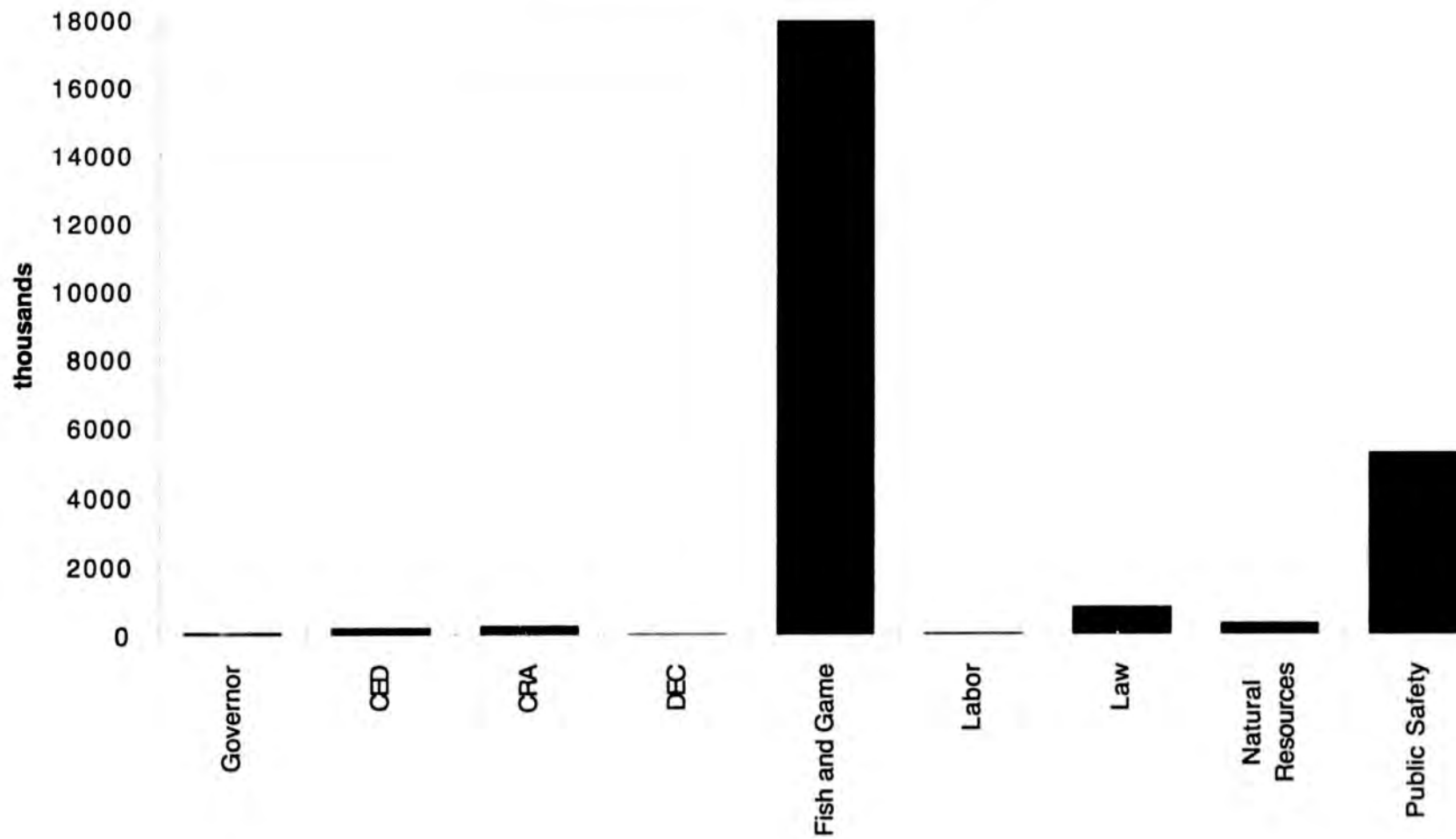
FY93 Sport Fishing Expenditures by Department



FY93 Commercial Fisheries Expenditures by Department



FY93 Wildlife Expenditures by Department



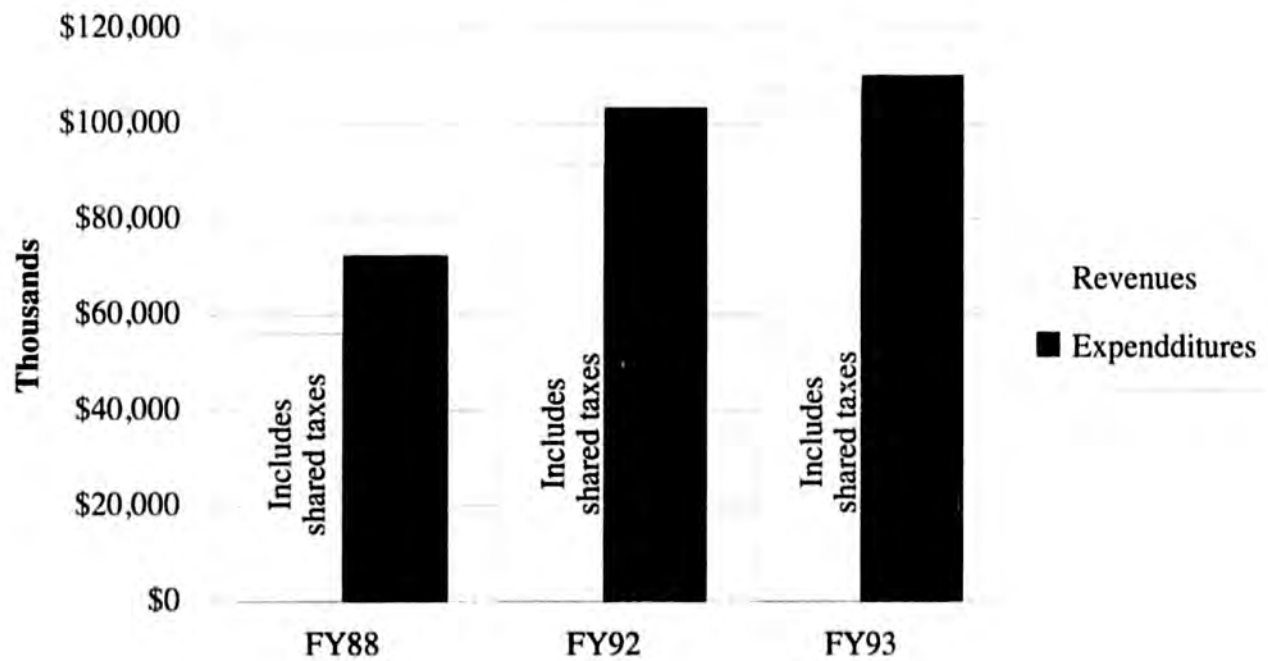
FY93 Expenditures for Fish and Wildlife

Legend

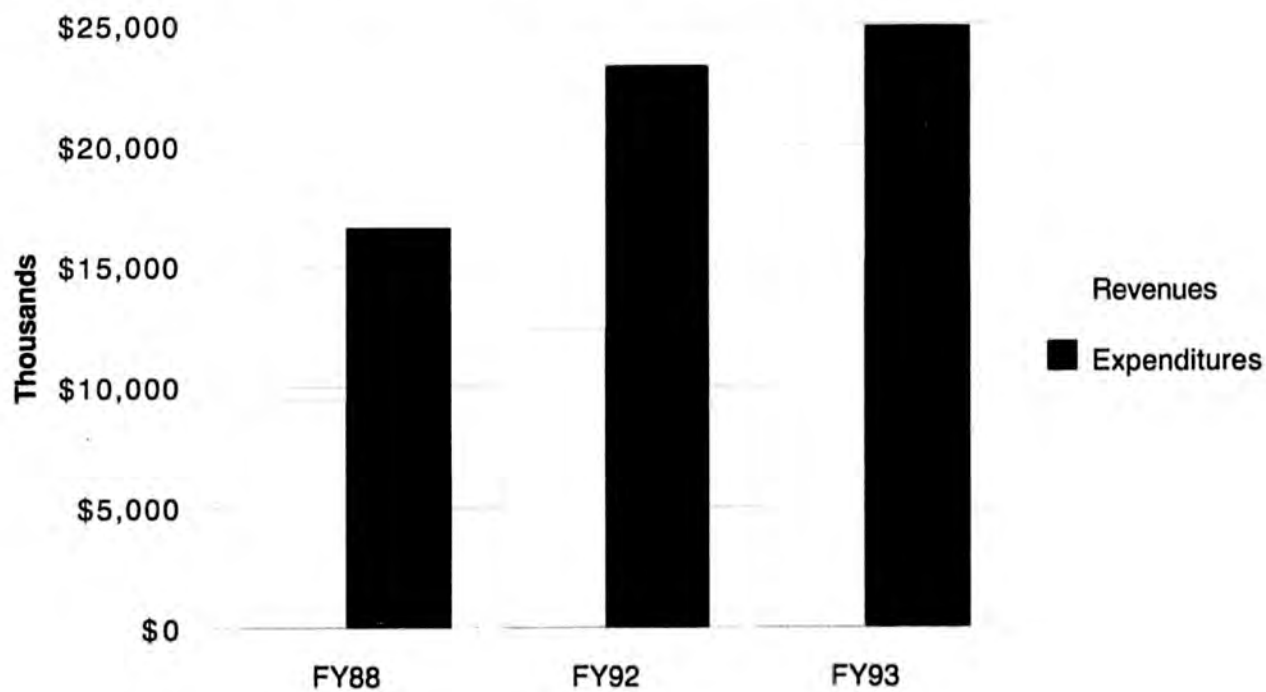
- A - Requires specific knowledge/analysis of workloads; therefore FY92 amounts will be used until better information available
- B - Current information available from AKSAS combined with FY92 amounts and/or methodology to calculate this years expenditures
- C - Current information available from AKSAS
- D - Public Safety provided FY93 analysis of expenditures by fish and wildlife category. Totals \$500.0 more than FY92 methodology likely because C&F exps included
- E - Fish expenditures split 70% commercial/30% sport based on FY93 operating expenditures in ADF&G

Compiled by Kim Gammon, ADF&G Finance Officer, January 1994

FISHERIES REVENUES AND EXPENDITURES OF STATE GOVERNMENT



WILDLIFE REVENUES AND EXPENDITURES OF STATE GOVERNMENT



Alaska State Legislature

Representative Carl E. Moses

CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON:
DEPT. OF FISH AND GAME
DEPT. OF PUBLIC SAFETY



SESSION:
CAPITAL BUILDING, ROOM 204
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-4451
FAX: (907) 455-3445

INTERIM
716 W. 4TH AVE. #630
ANCHORAGE, AK 99501-2133
PHONE: (907) 258-8167
FAX: (907) 258-8468

MEMORANDUM

TO: House Special Committee on Fisheries Members

FROM: Representative Carl E. Moses, Chair *CEM*
House Special Committee on Fisheries

DATE: January 20, 1994

RE: Requested information

I have attached the letters requested from the Department of Fish & Game by the committee. The subject of these letters arose in the overview presented by the Department on the federal reauthorizations.

I hope this information will be useful to you.

Congress of the United States
Washington, DC 20515

January 6, 1994

The Honorable Ronald H. Brown
Secretary of Commerce
Office of the Secretary
14th and Constitution Ave, NW
Washington, D.C. 20230

Dear Mr. Secretary:

We are writing to express our concern that grave problems affecting federal fisheries in the North Pacific are not being effectively addressed. We are concerned that without prompt, decisive action on your part, the environmental and economic consequences of this management failure will reach severe proportions.

The North Pacific Fishery Management Council is responsible for initiating management actions for the federal fisheries of the North Pacific. In 1992, the Secretary approved a 5-year interim allocation regions drafted by the Council. This interim allocation regions was highly controversial because it redirected tons of fish and millions of dollars from the Seattle-based fleet to Alaskan-based operators. The Administrator of NOAA recognized this when he stated the following in a memo to the Council:

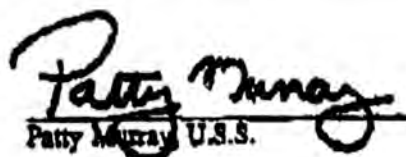
"In my review of these very contentious issues, a central point made by both . . . sectors was the need to achieve stability in this fishery so that long-term planning could take place. I strongly urge the Council not to re-submit Amendment 18 again, because, in my judgment, it will distract the Council from its major responsibility to develop a market-based allocation system for the long term. . . . I hope the Council will avoid any further efforts to select winners and losers in the pollock fishery when there appears to be no economic gain to the nation from such efforts."
(emphasis added)

Mr. Secretary, to date the Council has made little progress in carrying out the directive of developing a market-based allocation system for the long term. Of immediate concern is a decision by the Council at its December meeting to defer action on a comprehensive allocation program that is widely viewed as the only effective means of rationalizing the fisheries. The decision to defer action, which followed a similar course at the September meeting of the Council, was made on a motion by the state of Alaska's representative and supported by every member of the Council's Alaska majority. With the Washington members of the Council all voting against the motion, it is again apparent that the Council will initiate a comprehensive management program when and how the Council's Alaska majority decides.

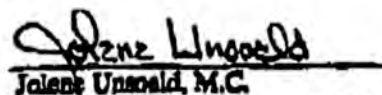
While we have come to expect this kind of action on the North Pacific Council, we are particularly disappointed that your voting representative on the Council, the Regional Director of the National Marine Fisheries Service (NMFS), also voted to defer action. We see no reasonable explanation for the continued delays and are astounded that they continue with your apparent support. Comprehensive rationalization of the groundfish and crab fisheries is indispensable to the achievement of federal conservation and management goals, as provided by the Magnuson Fishery Conservation and Management Act.

Mr. Secretary, we urge you to instruct NMFS to pursue a comprehensive rationalization program as a matter of the highest priority. If the Alaska majority on the Council continues to block the process, we will expect you to take administrative measures or, if necessary, to propose legislative action, not only to resolve this particular problem, but also to resume the effectiveness of the process for conserving and managing all federal fisheries in the North Pacific.

Sincerely,


Patty Murray U.S.S.


John McDermott, M.C.


Jolene Unsold, M.C.


Maria Cantwell, M.C.

cc: The Honorable Doug Hall, Undersecretary for Oceans and Atmosphere
Mr. Rolfe Schmitzen, Director, National Marine Fisheries Service



STATE OF WASHINGTON

DEPARTMENT OF FISHERIES

Post Office Box 43135 • Olympia, Washington 98504-3135 • (206) 902-2200 • SCAN 902-2200 • TDD 902-2200

November 30, 1993

The Honorable Ronald H. Brown
Secretary of Commerce
12th and 14th Streets SW
Washington, DC 20250

Dear Secretary Brown:

Pursuant to Amendment 18 of the Fishery Management Plan (FMP) for the Groundfish Fishery of the Bering Sea and Aleutian Islands (BSAI) Area, the North Pacific Fishery Management Council (NPFMC) and the National Marine Fisheries Service (NMFS) adopted rules to implement the Western Alaska Community Development Quota (CDQ) program. Although the Secretary approved Amendment 18, public debate was focused on the very contentious "inshore/offshore" allocation issues and not on the unprecedented CDQ program. During the public comment period for proposed rules to the CDQ program, we requested that the Secretary explain how this program was consistent with the national standards and guidelines of the Magnuson Fishery Conservation and Management Act (MFCMA).

Because we believe that your predecessor did not provide a convincing rationalization regarding compliance of the CDQ program with MFCMA national standards, we are requesting a fresh Secretarial review. We think the CDQ program violates National Standards 4, 5 and 7 of the Magnuson Fishery Conservation and Management Act. We regard the current CDQ program as an exclusive reallocation of pollock resource to Alaska residents, at the direct expense of Washington's distant-water factory-trawler fishing fleet, solely for the purposes of invigorating the economy of Alaskan coastal communities.

National Standard 4 specifically precludes allocations which "discriminate between residents of different states." In Federal Register responses to comments on the final rules for Amendment 18, final rules for the 1992-93 CDQ fishery and the revision to the final rule to implement Amendment 18 (FR Vol. 57 No. 107, 6/3/93, p 23321-23346, Docket No. 911215-2114; FR Vol. 57 No. 226, 11/23/92, p 54936-54946, Docket No. 920944-2302; FR Vol. 57 No. 248, 12/24/92, p 61326-61341, Docket No. 911215-2328) NMFS asserts that the CDQ program does not discriminate between residents of different states: "The CDQ program is consistent with the Magnuson Act and other applicable law" [Response to Comment 24, 11/23/92]; "NOAA has determined that neither amendment 18 as approved nor amendment 23 discriminates against non-Alaskan residents" [Response to Comment 18, 6/3/92]; "The impact of the CDQ program . . . falls equally upon similarly situated Alaskans and non-Alaskans" [Response to Comment 19, 6/3/92; Response to Comment 3, 12/24/93]. It is unequivocal that the revenues, and consequently the benefits (economic and social), derived in the CDQ program flow exclusively to residents of the State of Alaska.

The Honorable Ronald Brown
Page 2
November 30, 1993

Discrimination of residents in other states is not eliminated because some residents of Alaska are ineligible for the CDQ program. Your predecessor has taken a very narrow view of discrimination.

National Standard 5 requires that *"Conservation and management measures shall, where practicable, promote efficiency in the utilization of fishery resources; except that no such measure shall have economic allocation as its sole purpose."* The administrative record on this issue suggests that NOAA believes that the expected social benefits from the CDQ allocation demonstrate that economics is not the "sole" purpose of the program. *"The benefits of economic stability and social gains to the Alaskan coastal communities balance the potential economic losses to the Nation"* [Response to Comment 26, 6/3/92]. The CDQ program's *"primary objective is the achievement of social benefits through the development of fisheries in certain western Alaska communities"* [Response to Comment 20, 11/23/92]. *"The Magnuson Act and other applicable law does not require maximum efficiency in the use of fishery resources if there are counterbalancing social or biological reasons for less efficiency."* [Response to Comment 24, 11/23/92]. *"After careful review of the record, NOAA has determined that amendments 18/23 do not have economic allocation as their sole purpose."* [Response to Comment 25, 6/3/92]

The social analyses presented with Amendments 18/23 were qualitative at best. In June 1991, the NPFMC Scientific and Statistical Committee (SSC) noted that *"The sociological analyses in the document [Amendment 18/23 SEIS/RIR/RFA] are dominantly of the descriptive kind. ... However, comments in the document about social stability are speculative and do not provide a basis for choosing among the alternatives."* Then in August 1992, the SSC remarked that *"The social development and community stability supposed to follow from an inshore allocation are not well supported by information contained in the document."* The SSC then reiterated its statement from June 1991. While the social analyses presented qualitatively reflected expected impacts from the inshore/offshore distribution of pollock, there was little, or no, analysis of the social benefits expected to flow from the CDQ program.

The social benefits expected to accrue to coastal communities were largely inferred from the benefits associated with the redistribution of income represented by the economic input/output model. Clearly, the social benefits alluded to by the Secretary were based on economic allocation of the pollock resource: *"The allocations as approved by the Secretary will clearly benefit the coastal communities of Alaska and aid them in achieving a stable, self-sufficient and growing economy."* [Response to Comment 12, 6/3/92] *"The assignment of fishing privileges through the CDQ program will further the goals of the BSAI groundfish FMP by promoting economic stability...."* [Response to Comment 21, 6/3/92] *"The CDQ program is designed to provide start-up support for the western Alaska communities by allocating a portion of the pollock TAC to them for the development of their local fishing industry"* [Response to Comment 22, 11/23/92]

The Honorable Ronald Brown

Page 3

November 30, 1993

We do not believe that the Secretary can simultaneously argue that the CDQ program meets the test of National Standard 5 by providing increased social benefits to western Alaska coastal communities and sustain the point of view that National Standard 4's prohibition on discrimination between residents of different states has not been violated. Any improvement in the social welfare of western Alaska coastal communities will relieve the state, and consequently all citizens of Alaska, from the economic burden of promoting that social welfare. Consequently, impacts from this allocation do not fall equally on Alaskan and non-Alaskan residents.

Finally, National Standard 7 states that *"Conservation and management measures shall, where practicable, minimize costs and avoid unnecessary duplication."* The groundfish fisheries of the Bering Sea are seriously overcapitalized which the Secretary acknowledges: *"NOAA is aware that overcapitalization is a problem in the Alaska groundfish fisheries and amendments 18/23 do little to resolve this problem..."* [Response to Comment 25, 6/3/93] Many of the Council's current management endeavors are focused on remedies to this problem, e.g., groundfish and crab fishery moratorium; the sablefish and halibut ITQ programs, and the Council's "comprehensive rationalization" initiative. Yet in their response to comments NMFS said they were *"... implementing only those portions of the proposed amendment that do not appear to exacerbate the overcapitalization problem."* [Response to Comment 25, 6/3/92] In fact, since the CDQ program's primary purpose is to generate further capital investments in the groundfish fishery, the NMFS is implementing a program that will exacerbate the overcapitalization problem.

The federal government would be in a stronger position of support for the Bering Sea groundfish fisheries and the economic improvement of coastal Alaskan communities if it provided block grants or small business loans to these communities for their purchase of existing capital or harvest rights. The Bering Sea groundfish fishery does not need further duplication of capital investments in the fishery, least of all duplication promoted by the government.

We note that, despite the Secretary's approval, the CDQ program has undergone only limited analysis, discussion or public debate, particularly in contrast to the extensive review of the more substantive allocation between inshore and offshore sectors of the fishery. Our constituents have raised relevant issues regarding the authority of the Secretary to approve the CDQ program.

When the CDQ program was originally approved, the Secretary pointed to the short-term nature of the allocations awarded in Amendments 18/23 (this amendment terminates in 1995) and, despite the negative economic benefits, he suggested that these interim allocations were necessary for the social good of the Nation while the Council wrestled with a comprehensive allocation plan. Unfortunately, the CDQ program has already begun to have a separate life of its own. In June, the Council tabled an amendment which would have adjusted the opening date for the BSAI pollock "A" season, in part due to undocumented concerns on the proposed amendment's impact to CDQ fisheries. Recently, the

The Honorable Ronald Brown

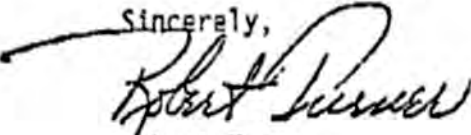
Page 4

November 30, 1993

Council has been advised by some CDQ recipients that they will need more than three years, the current term of the amendment, to achieve their economic goals. As the Council goes forward with its comprehensive rationalization initiative, CDQs will continue to be proposed by the dominant Alaska voting block. Non-Alaskan residents want the CDQ program set aside; barring that, we want a comprehensive legal review of the Secretary's authority to implement the program under the rules of the Magnuson Act.

We thank you for your consideration of this issue and look forward to your report. If we can be of further assistance please let us know.

Sincerely,



Robert Turner
Director

RT:jvt

cc: Rolland Schmitten, Director NMFS
Steven Pennoyer, Regional Director NMFS ✓
Judith Freeman
Mary Lou Mills
Al Millikan



Alaska Department of Fish and Game
Commercial Fisheries Management and Development Division

P.O. Box 25526 • Juneau, AK 99802-5526 • Phone: (907) 465-4210 • Fax: (907) 465-2604

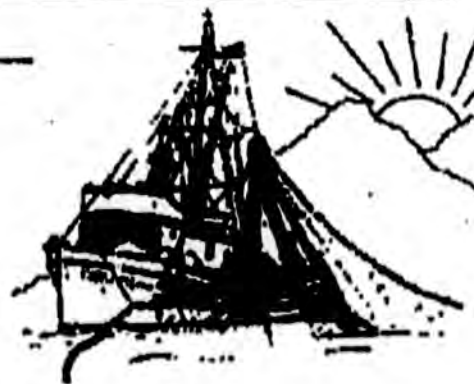
Fax Transmittal Sheet

To: Cheryl Sutton Date: 1/27
Rep. House Office
Fax#: 3445
Phone#:

From: Jeff Koenigs

Number of pages following this page: 1

Memo: _____



THE DIVISIONAL MERGER AND FORMATION OF A FIFTH REGION

Three of the four existing regions within the department were formed at statehood, when salmon management issues and the value of salmon harvests were at the heart of the seafood industry. Within the last thirty-five years, Alaska's fisheries have changed. First came a recognition of the developing salmon fisheries of the Yukon and Kuskokwim Rivers and the resultant formation of the department's Arctic-Yukon-Kuskokwim (AYK) Region in 1971. Recently, shellfish and groundfish harvests have become increasingly valuable, and marine herring have also formed important fisheries. A great deal has been learned about salmon migration routes, and it is now known that salmon migrate through administrative regional boundaries set years ago. In response, we propose a fifth region (Bering Sea/Aleutians) that will seek to match administrative oversight and focus on the shellfish and salmon resources of this resource-rich region.

Recent changes in the department's commercial fisheries program following a merger of the Fisheries Rehabilitation, Enhancement and Development (FRED) and Commercial Fisheries Divisions has renewed interest in the formation of a fifth region. Creating a fifth region would allow us to address management issues associated with the organizational size and complexity of the four existing regions.

1. A Bering Sea/Aleutians (BSA) Region would focus science and budget-related resources on the area of the state where a majority of the economic value of salmon and shellfish are harvested. The new region would acquire existing management and research staff from the Westward and Central Regions, as well as administrative staff from the Southcentral Region of the former FRED Division.
2. Fishers of the BSA area want a regional staff to address concerns of the region in terms of management, science, and budgets. The BSA Region would contain salmon fisheries now shared between two regions. Consolidation into a single management unit could lead to resolution of long-standing fisheries issues through the formation of thoroughly integrated management and research programs.
3. Dividing the groundfish and shellfish fisheries between two regions will allow state management to be more effective under a full partnership with federal programs. The BSA Region would encompass the federal waters of the Bering Sea and Bristol Bay, where the state manages major stocks of shellfish, while the Kodiak/Chignik Region would focus on the department's groundfish program in the Gulf of Alaska.
4. The merger has increased both the complexity of the programs managed by the regional supervisors and their supervisory loads by assigning components of the FRED Division to their regions. A fifth region would reduce the supervisory workload of the regional supervisors, giving them time to evaluate the need and effectiveness of current programs. Existing programs in the BSA, Kodiak/ Chignik, and Central Regions could be realigned to meet the mission of the new CFMD Division and thereby lead to increased programmatic efficiencies.
5. The department's objective is to substantially upgrade the current federal groundfish trawl survey (crab data is a "bycatch") in order to effectively manage the crab resources of the Bering Sea/Bristol Bay areas. BSA staff would lead programmatic interactions with the North Pacific Fishery Management Council and the observer training program, both of which are headquartered out of Anchorage.
6. The CFMD Division has assigned personnel into area resource development positions that will provide services to the aquaculture and mariculture industries as well as diversify fisheries; i.e., the development of a new sea urchin fishery. This new program, still under development, will rely upon close cooperation from the fishers and industry to collect resource information according to surveys designed by the department.

ALASKA DEPARTMENT OF FISH AND GAME

Commercial Fisheries Management and Development Division

Recommendations Toward the Consolidation of the Commercial Fisheries and the Fisheries Rehabilitation, Enhancement and Development Divisions

**Jeffery P. Koenings, Ph.D.
Chair
Core Planning Group**



January 1994

CHALLENGES FACING ALASKA'S COMMERCIAL FISHING INDUSTRY

- *Changes in worldwide salmon supply* — Major new producers of salmon and trout emerged during the last decade that have drastically altered worldwide supplies of salmon. Within the last ten years, the production of internationally farmed salmon has increased from nothing to now rival Alaska's entire salmon production.
- *Changes in salmon markets and prices* — Changes in markets are resulting in keen competition for Alaskan salmon. In 1986, Alaska provided 84 percent of the salmon imported into the Japanese market, compared to only 54 percent imported in 1992. Salmon and trout from Russia, Chile, and Norway have pushed Alaska into a corner in terms of what prices we can demand for our salmon.
- *Impact of national and international issues* — The truly national and international scope of Alaska's fisheries extends beyond worldwide supply and demand problems to include participation in the critical issues of federal legislation (Endangered Species, Magnuson Fisheries Conservation and Management, and Marine Mammal Protection Acts), federal management of our fisheries, and federally driven international treaties.
- *Changes in our dominant fisheries* — With changes in the harvests and markets of salmon, crab, and groundfish have come changes in the ex-vessel value of Alaska's catch. In 1991, the groundfish catch value surpassed that of salmon for the first time, and the ex-vessel value of shellfish landed in 1991 was equivalent to that of salmon.
- *Emergence of new seafood industries* — The private nonprofit enhancement program, begun in 1974, has matured. The fishermen-funded aquaculture industry currently provides nearly 20 million fish to Alaska's commercial catch and employs hundreds of Alaskans in full-time jobs. Also, the 1988 Aquatic Farm Act established the mariculture industry, which now consists of an expanding group of shellfish farmers throughout the state.
- *Diversification of seafood harvests* — Developing and emerging niche fisheries involving the harvest of scallops, sea urchins, sea cucumbers, geoducks, surf clams, snails and, possibly, sandfish, demand increasing attention.

Clearly, the commercial seafood industry in Alaska has changed over the last ten to twenty years. The changes were not envisioned when the Commercial Fisheries and Fisheries Rehabilitation, Enhancement and Development Divisions were first organized. Given these changes, it was thought expedient to begin the process of reorganizing both commercially oriented components of the department into a single division that could better address the present as well as the future.

Core Planning Group Members and Alternates

Jeff Koenings, Chair
Bruce Johnson, Facilitator

FRED

Bob Burkett
Karen Crandall
Kevin Duffy
Tom Kron
John Burke (alt)
Ted Meyers (alt)
Dana Schmidt (alt)
Lorne White (alt)

Commercial Fisheries

Bob Clasby
Doug Eggers
Ken Florey
Paul Larson
John Hilsinger (alt)
Gordon Kruse (alt)
Scott Marshall (alt)
Larry Nicholson (alt)

Sport Fish

Paul Krasnowski
Rocky Holmes (alt)

Commissioner's Office

Geron Bruce

ACTION TEAMS

Alaska Department of Fish and Game Commercial Fisheries Management and Development Division

Applied Science/Research

Bob Burkett - Chair

Gordon Kruse

Paul Larson

Dana Schmidt

Dave Barto - Limnologist I, Douglas

Sam Bertoni - FC III, Juneau Tag Lab

Linda Brannian - Biometrician III, Anchorage

Wes Bucher - FB III, Homer

Larry Buklis - FB IV, AYK

Carol Denton - FB III, Ketchikan

Carmine DiCostanzo - AP V, Juneau

Marianne McNair - RA III, Juneau

Doug Pengilly - Biometrician II, Kodiak

Phil Rigby - FB IV, Juneau

Jim Seeb - Geneticist, Anchorage

Sam Sharr - FB III, Cordova

Ben Van Alen - FB IV, Douglas

Leslie Watson - FB III, Kodiak

Planning/Permitting/Resource Development

Geron Bruce - Chair

Kevin Duffy

Ken Florey

Paul Krasnowski

Lonnie White

Bruce Barrett - FB III, Kodiak

James Brady - FB IV, Anchorage

Rich Cannon - FB IV, AYK

Jim Cochran - FB IV, Juneau

Hal Geiger - Biometrician II, Juneau

Russ Holder - FB II, Fairbanks

Tim McDaniel - FB IV, Anchorage

Steve McGee - FB IV, Juneau

Doug Mecum - FB IV, Douglas

Dave Parks - FC III, Clear Hatchery

Paul Ruesch - FB III, Soldotna

Herman Savikko - FB II, Juneau

Alan Spalinger - FB III, Kodiak

Resource Management

John Hilsinger - Chair

John Burke

Karen Crandall

Doug Eggers

Ted Meyers

Bill Bechtol - FB II, Homer

John Clark - Biometrician III, Douglas

Kim Francisco - FB III, Bethel

Jeff Hartman - Economist II, Juneau

Ron Josephson - FB III, Douglas

Tim Joyce - FC III, Kitoi Bay Hatchery

Tim Koeneman - FB III, Petersburg

Jeri Museth - AA I, Juneau

Pete Probasco - FB IV, Kodiak

Gene Sandone - FB III, AYK

Jeff Skrade - FB III, Dillingham

Mark Willette - FB III, Cordova

Administration

Bob Clasby - Chair

Tom Kron

Scott Marshall

Larry Nicholson

Betty Abel - AO I, Juneau

Katherine Aschaffenburg - Secretary I, Juneau

Will Bergmann - FB III, Petersburg

Kristi Dollmont - FOA, Fairbanks

Roberta Fisher - AA II, AYK

Dennis Haanpaa - FB IV, Anchorage

Mike Haddix - Limnologist II, Ketchikan

Bill Johnson - AP IV, Juneau

Susie Kaiser - AA II, Anchorage

Joan Peterson - AC II, Kodiak

Jaki Sanders - AO I, Juneau

Kim Vicchy - FOA, Ketchikan

Linda Wright - AA II, Kodiak

FRAMEWORK

During the FY 93 and FY 94 budget cycles, both the FRED Division and the Commercial Fisheries Division budgets were cut in anticipation of the merger between the two divisions. The total amount cut between these two budget years, nearly \$500,000, was over and above, even at that point, the anticipated savings forecasted to result from a divisional consolidation. As a review of the functions of both divisions found little functional overlap, additional savings from the consolidation would more than likely accrue from possibly downsizing administrative units that support the functional elements within the division. Potential benefits of merging other functional components would result in increased program integration that would then lead to increases in project-level coordination and result in larger-scale programmatic efficiencies.

In its approach to functioning as a combined division, it was intended that the division operate as the Commercial Fisheries Management and Development Division; i.e., that there be two primary core elements in the division's functional makeup. The first was the management and operational aspects of the state's fisheries, and the second was the applied research and development aspects of present and future fisheries. To do both requires a balanced program that would be supported by the administrative units and carried out by the resource management, planning/permitting/resource development, and applied science/research wings of the combined division.

ADMINISTRATION

Headquarters

- ▶ *The recommendation is to create a single administrative unit supervised by a deputy director. The administrative unit will comprise six full-time staff. This unit will support headquarters staff as well as statewide technical services units: Statewide Fish Culture and the combined Mark/Tag Laboratory. There were two separate administrative staffs located in the Juneau office, one for the Commercial Fisheries Component with four full-time and one seasonal staff, and one for the FRED Component with four full-time staff. Two options are presented: Option 1 reflects a four-region divisional structure, and Option 2 reflects a five-region divisional structure.*
- ▶ *The recommendation is to have a single clerical unit that will provide clerical support to all headquarters and Juneau statewide staff. The unit will consist of a Publications Specialist, a Secretary I, and two Clerk Typist IIIs. If possible, the Publications Specialist will be the supervisory lead and office manager of this particular unit. There were two separate clerical staffs in the headquarters offices: One for the Commercial Fisheries Component with three full-time staff, and one for the FRED Component with two full-time staff. The advantages of this option are efficient use of staff and a single supervisor.*

Southeast Regional Office

- ▶ *It is recommended that a single administrative unit support all regional activities. The administrative unit at this time will be comprised of five full-time and two seasonal staff headed up by an Administrative Assistant II. The Administrative Assistant will be supervised by the Regional Supervisor. There were two separate regional staffs located in Douglas. One for the Commercial Fisheries Component with five full-time and two seasonal staff, and one for the FRED Component with four full-time and one seasonal staff. The advantages of this option are efficient use of staff and a single supervisor.*
- ▶ *It is recommended that the single Limnology Section position located in the Douglas Office and those positions located in Ketchikan will be administratively supported by the headquarters unit. However, the Juneau/Douglas and Ketchikan regional units will provide clerical assistance to the limnology group. The consolidation of administrative and clerical staffs within the region and area offices will require some administrative functions move to headquarters, with clerical support remaining with regional and area clerical staff.*

Commercial Fisheries Management and Development Division
(CFMD)

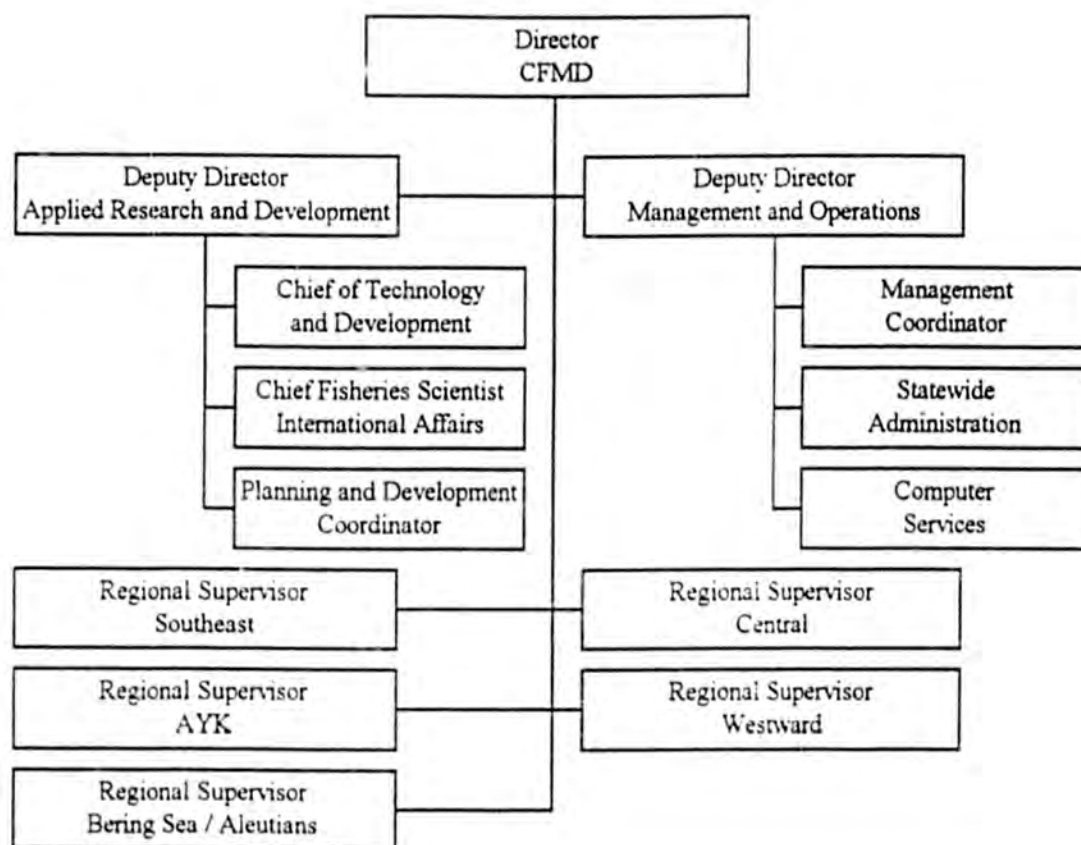


Figure 1. Headquarters Management: Director's recommendation

APPLIED SCIENCE/RESEARCH

Headquarters

- ▶ *It is my recommendation to consolidate and integrate the statewide functions of the applied research group of the Commercial Fisheries Component and the technical services group of the FRED Component into a single unit under the direction of a Deputy Director of Applied Research and Development. This group will develop new applied research methodologies and technologies and maintain technological services that are unique and most efficiently performed on a statewide basis.*
- ▶ *It is recommended that the Coded Wire Tag Processing Laboratory and the Otolith Laboratory be consolidated into a single Mark/Tag Laboratory located in Juneau. The consolidated Mark/Tag Laboratory will be part of the Technical Services Section supervised by the Chief of Technology and Development. Consolidating the programs of each division into a single unit within the merged divisional structure will promote programmatic efficiency by minimizing duplication of effort and noncomplimentary programs.*
- ▶ *It is my recommendation that the activities of the two Genetics Programs, currently located in Anchorage, be consolidated, and that the geneticist class series, held in abeyance until the reorganization is completed, be reinitiated by the Department of Administration. The class series shall be patterned after other class series within the technical services arena, such as limnology. This would merge the Genetic Stock Identification Program, currently under the Chief Fisheries Scientist, with the Wild Stock Protection/Enhancement Program, currently supervised by the Chief of Technology and Development, into a single fisheries genetics program supervised by the Chief of Technology and Development.*

Commercial Fisheries Management and Development (CFMD)

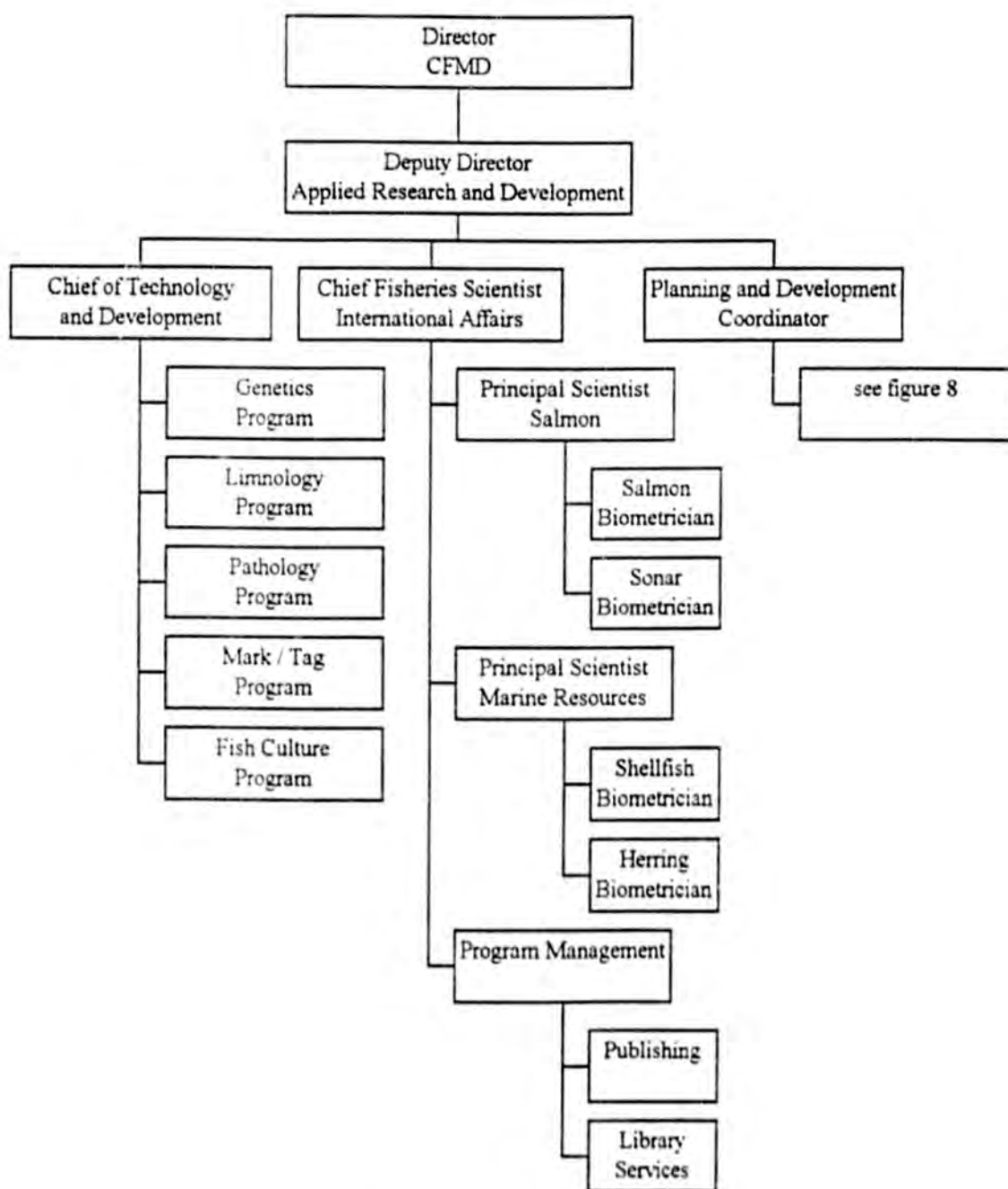


Figure 9. Applied Research and Development:
Modified version of Applied Science / Research Action Team
recommended interim organization

PLANNING/PERMITTING/RESOURCE DEVELOPMENT

Team members agreed that more resources and support need to be devoted to aquaculture permitting and planning in the reorganized division. Included within this category is not only the private nonprofit hatchery program, but also the emerging mariculture program which supports Alaska's shellfish and aquatic plant farming industry.

- ▶ *It is recommended that former FRED area biologists be reassigned to both of the two resource development biologist functions.* Overall, it is felt that there is a need to emphasize the planning and permitting function within the merged division by maintaining a headquarters focus on this activity. The need for adequate resources in the regions to develop diversified fisheries and to act as a bridge to the private nonprofit and mariculture industries also needs to be emphasized. In addition, there is a need for each region to increase its participation in the evaluation and management of supplemental salmon production.

Regional Resource Development Biologists:

- Administer the resource development program;
- Be a voting member on Regional Planning Teams;
- Process private nonprofit hatchery permits and hatchery annual management plans;
- Coordinate fish transport permit and fish resource permit reviews;
- Lead the regional comprehensive enhancement planning process;
- Coordinate with area resource development biologists; and
- Act as lead resource development biologist at Board of Fisheries meetings.

Area Resource Development Biologists:

- Develop new fisheries enhancement, restoration, and resource development opportunities;
- Carry out non-hatchery enhancement and restoration research projects;
- Participate on the Statewide Enhancement Evaluation Review Panel;
- Act as point contact for review of federal plans;
- Coordinate wild/hatchery stock questions with PNP hatchery programs;
- Provide preseason planning, inseason management, and post-season evaluation of PNP salmon production;
- Provide technical assistance in planning and permitting for the mariculture industry; and
- Work closely with habitat biologists to provide technical services on habitat protection issues.

RESOURCE MANAGEMENT

- ▶ *It is recommended that the hatchery program be consolidated within a statewide hatchery group and supervised by a statewide culturist.* A single, statewide culturist supervising the division's hatcheries will ensure leadership by knowledgeable personnel, provide an integrated hatchery research program, and maintain a core group of fish culture expertise within the department. As Commercial Fisheries Management and Development Division responsibilities for hatchery operations are reduced, fish culture expertise will be refocused on technical services support and oversight, both within the division and for the private nonprofit aquaculture and mariculture industries.

Formation of this hatchery group will facilitate interaction with the aquaculture industry, especially on the side of best hatchery practices and culture techniques, as well as coordination of research activities designed to make the facilities more cost-effective.

The duties and responsibilities of this section are listed below:

- Supervise divisional hatchery operations;
 - Integrate hatchery research with the Sport Fish Division and private nonprofit facilities;
 - Provide technical fish culture expertise to the PNP Program;
 - Establish, evaluate, and upgrade best management practices for hatchery operations;
 - Evaluate requests for new increments of fish production and location of remote release sites; and
 - Participate in the Statewide Enhancement Evaluation Review Panel (*see below*) for new increments of fish production.
-
- ▶ *It is my recommendation that a Statewide Enhancement Evaluation Review Panel be formed to ensure proposed evaluation studies connected with new increments of production are both necessary and cost efficient. The statewide enhancement evaluation review panel should consist of department staff and colleagues within the aquaculture industry.* There is some concern within the aquaculture industry that the concept of "user pays" will be unevenly applied to the various regions. One example of the "user pays" concept can be described as when new increments of salmon production are proposed by the nonprofit aquaculture groups, any management or research costs connected with increased production will be the responsibility of the aquaculture group. The formation of a statewide group will strengthen the application of equal standards to all segments of the industry.

Commercial Fisheries Management and Development Division
(CFMD)

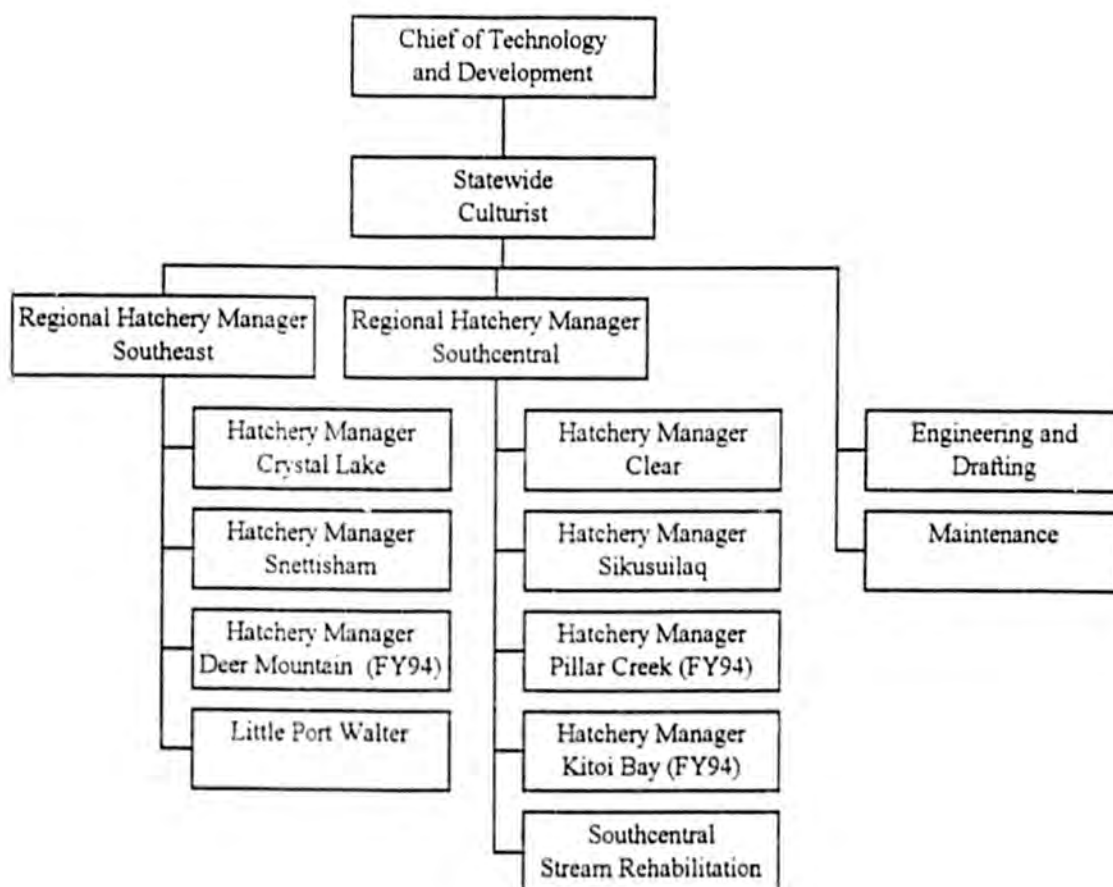


Figure 7. Statewide Fish Culture:
Modified version of Hatchery Operations Organizational Structure
provided by Planning, Permitting, and Resource Development Action
Team

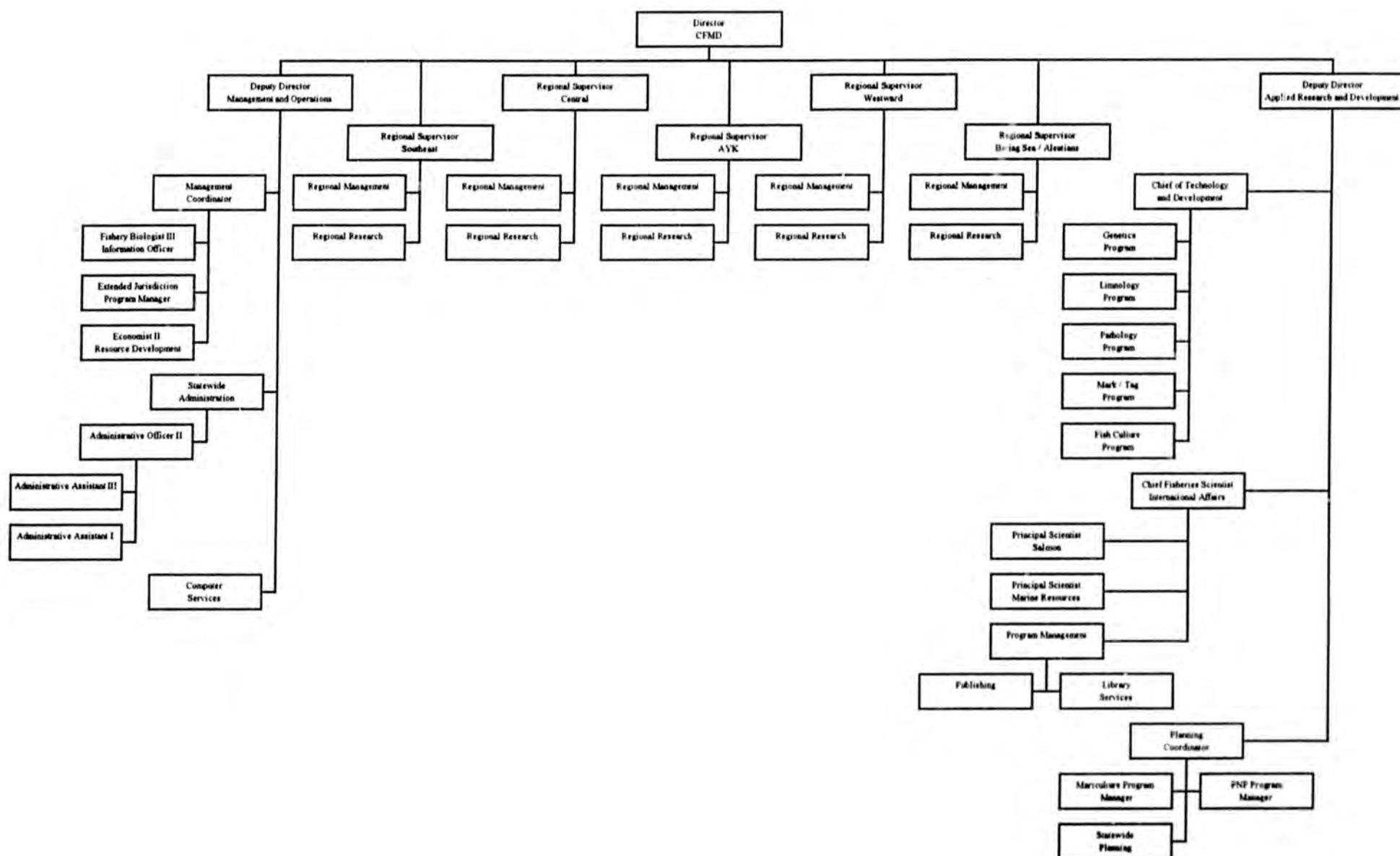
RESOURCE MANAGEMENT

- ▶ *It is my recommendation that the division create a fifth region that would include shellfish, salmon, and herring programs, as well as vessel use to support those programs. The Bering Sea/Aleutian Islands Region would tentatively be defined to include Bering Sea shellfish, as well as Bristol Bay and Alaska Peninsula/Aleutian Islands area fisheries resource management and research activities. The region would be tentatively supervised out of the Anchorage Office.*

Recent changes in the department's commercial fisheries program following a merger of the FRED and Commercial Fisheries Divisions has renewed interest in the formation of a fifth region. Creating a fifth region would allow us to address management issues associated with the organizational size and complexity of the four existing regions.

1. A Bering Sea/Aleutians (BSA) Region would focus science and budget-related resources on the area of the state where much of the economic value of salmon and shellfish are harvested. The new region would acquire existing management and research staff from the Westward and Central Regions, as well as administrative staff from the Southcentral Region of the former FRED Division.
2. Fishers of the BSA area want a regional staff to address concerns of the region in terms of management, science, and budgets. The BSA Region would contain salmon fisheries now shared between two regions. Consolidation into a single management unit could lead to resolution of long-standing fisheries issues through the formation of thoroughly integrated management and research programs.
3. Dividing the groundfish and shellfish fisheries between two regions will allow state management to be more effective under a full partnership with federal programs. The BSA Region would encompass the federal waters of the Bering Sea and Bristol Bay, where the state manages major stocks of shellfish, while the Kodiak/Chignik Region would focus on the department's groundfish program in the Gulf of Alaska.
4. The merger has increased both the complexity of the programs managed by the regional supervisors and their supervisory loads by assigning components of the FRED Division to their regions. A fifth region would reduce the supervisory workload of the regional supervisors, giving them time to evaluate the need and effectiveness of current programs. Existing programs in the BSA, Kodiak/Chignik, and Central Regions could be realigned to meet the mission of the new CFMD Division and thereby lead to increased programmatic efficiencies.
5. The department's objective is to substantially upgrade the current federal groundfish trawl survey (crab data is a "bycatch") in order to effectively manage the crab resources of the Bering Sea/Bristol Bay areas. BSA staff would lead programmatic interactions with the North Pacific Fishery Management Council and the observer training program, both of which are headquartered out of Anchorage.

Commercial Fisheries Management and Development Division (CFMD)





COMMITTEE:
House SPECIAL COMMITTEE
ON FISHERIES

DATE: JANUARY 28, 1994

Subject of meeting:

ADF&G REORGANIZATION

CS HB 134

PLEASE PRINT!

NAME

ADDRESS

(MAILING) & (ZIP)

PHONE

REPRESENTING

DO YOU WANT TO TESTIFY?

[illegible]

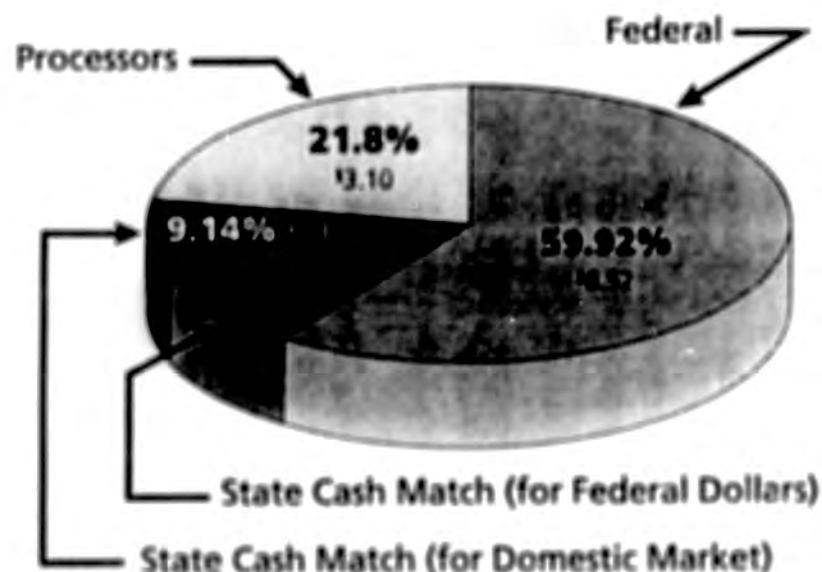
SCOMM

87:3

ASMI Funding Sources

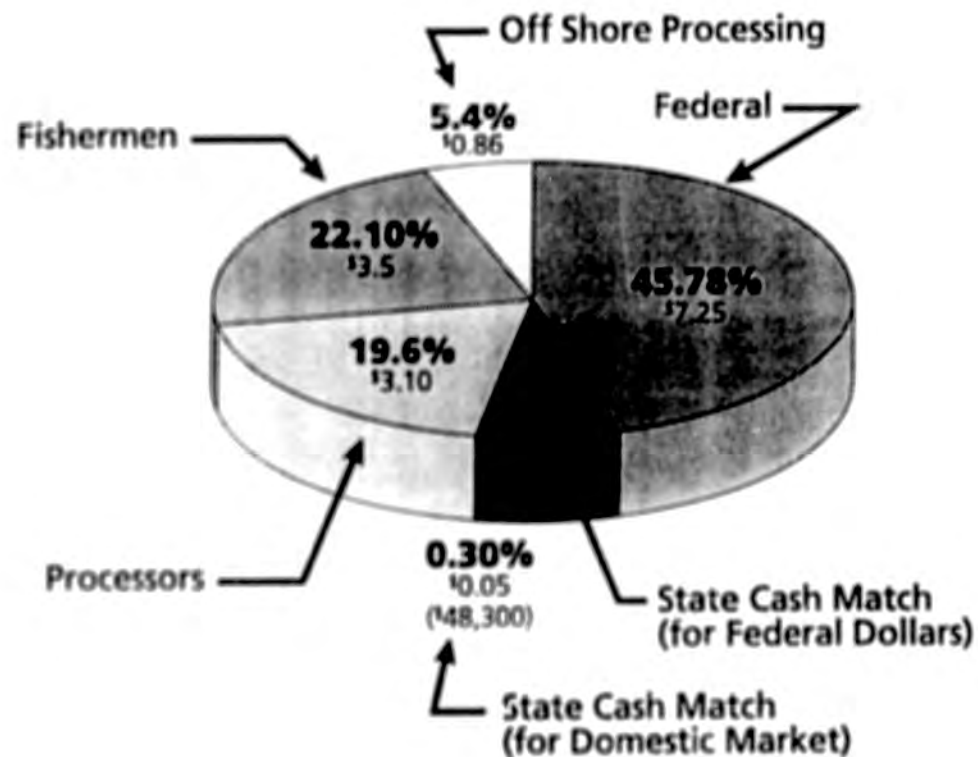
Fiscal Year 1993

Total Budget
\$14.22 Million



Fiscal Year 1994

Total Budget
\$15.84 Million



Federal dollars and State cash match for Federal dollars can only be used in the overseas markets. Currently, ASMI has programs running in seven countries—France, Japan, United Kingdom, Australia, South Korea, Italy, and the Netherlands. Processor assessment dollars are spent on multi-species campaigns in the domestic market, while the fishermen's contribution is spent totally on domestic salmon marketing.

MEMORANDUM

TO: Shelby Stastny, director, OMB

FROM: Kim Elton, ASMI executive director

DATE: February 4, 1994

RE: Unique Alaska Programs

Attached is a list of "unique Alaska programs" that is inaccurate in its depiction of ASMI in one respect and misleading in another. I received my list from a legislative office and understand the list had its genesis in OMB.

ASMI's mission is not a state mission unique to Alaska. The states of California, Louisiana, Virginia, Oregon, Hawaii, and Rhode Island also have seafood promotion commissions, though none match the financial resources of Alaska because industry receipts for the other states' programs are much lower. The State of Washington has a state sanctioned farmed salmon promotion council as well as a shellfish mariculture promotion group. A great number of states have agricultural product promotion councils. These range from New York wines, to Florida citrus, to Michigan apples, to California avocados. Like ASMI, most of these state promotion groups are funded by industry through state assessments or industry checkoffs, receive some state funds, and often receive federal dollars for promotional activities overseas.

The appropriation level for ASMI depicted in this list has a figure (\$5.236 million) that is puzzling. First, by listing the figure under the heading "state funds", it is easy to assume that this figure for ASMI represents a \$5.236 million "drain" on state coffers. Second, I can't find the figure of \$5.236 million any place in our FY94 budget.

In fact, our state spending authority for FY94 for domestic marketing is \$10.6 million--all but \$48,300 of that spending authority is industry receipts in the form of a processor

Alaska Seafood Marketing Institute
1111 West 8th Street, Room 100
Juneau, Alaska 99801-1895
Tel: (907) 465-5560
In Alaska: 1-800-478-2903
Fax: (907) 465-5572



assessment, a salmon harvester assessment, and a landing fee assessed on the offshore component of the fish processing industry. If industry receipts are less (and they will be this year), we spend only what we receive and don't go back to dip into the general fund. The only substantial participation by the state in ASMI promotional efforts is the \$1.09 million in cash match that secures \$7.251 million in federal funds for overseas marketing of salmon. That is smart state spending--put out 15 cents and get a dollar back.

I apologize for commenting by memo but it would have been helpful for the author of this list of "unique Alaska programs" to have contacted ASMI so the above information could have been passed along at the beginning of the process rather than after the list was completed and disseminated. The budget task confronting the legislature and the governor's office is immense but the process is more easily accomplished when state agencies speak with accuracy and precision.

cc: Members, Alaska State Legislature
David Wilder, ASMI board chair
Paul Fuhs, commissioner, DCED
Nancy Slagle, director, OMB Division of Budget Review
Brad Pierce, OMB staff

ALASKA SEAFOOD MARKETING INSTITUTE

MEMORANDUM

DATE: February 8, 1994

TO: Nancy Slagle, Director
Division of Budget Review
Office of Management and Budget

THRU: Guy Bell, Director
Division of Administrative Services
Department of Commerce and Economic Development

FROM: Kim Elton, Executive Director
Alaska Seafood Marketing Institute

RE: FY95 Budget Amendment Language

The Alaska Seafood Marketing Institute (ASMI) requests an FY95 budget amendment to appropriate ASMI program receipt balances of June 30, 1993 and June 30, 1994 for expenditure in FY95. The program receipts are collected under AS 43.76.110, (salmon marketing tax) and AS 16.51.120 and 15 AAC 116.600 (voluntary processor tax) and are restricted for marketing of Alaska seafood products.

This appropriation is necessary to enable ASMI to receive and expend tax revenues in the following fiscal year of receipt date as the most effective manner to promote marketing of seafood products. This amendment allows sufficient flexibility to compensate for the vulnerable funding methodology when utilizing only industry receipts. This complete dependency on tax revenue was the result of eliminating of all but \$49.6 of general funds with passage of the salmon marketing tax in 1993.

Alaska Seafood Marketing Institute
1111 West 8th Street, Room 100
Juneau, Alaska 99801-1895
Tel: (907) 465-5560
In Alaska: 1-800-478-2903
Fax: (907) 465-5572



The ASMI revenue flow is seafood product price and volume dependent (based on a percentage of ex-vessel value), and also dependent upon timely submission of tax payments. It is extremely difficult for ASMI to accurately manage program budgets based upon volatile revenue receipts. Processor taxes are due by April 1, for the previous calendar year, but not all taxes are received in a timely manner. As an example, in FY93 ASMI's second quarter processor tax projections were approximately \$3.6 million. This projection was subsequently revised down to \$2.7 million in the third quarter based upon slipping prices and projected receipts by Department of Revenue. This was subsequently revised again up to \$3.1 million in June based on Department of Revenue actual receipts. Final tax receipts post reconciliation totaled \$3,559,953 of which \$432,653 became available to ASMI from the Department of Revenue after June 30, 1993.

This problem is further complicated in FY94 by implementation of the salmon marketing tax which is collected by the processor and remitted to the Department of Revenue within 30 days of product transfer. For FY94 the Department of Fish and Game projects that ASMI's salmon marketing tax revenue is over \$3.9 million based upon fish harvest tickets. Given the cycle of salmon openings, all of these taxes should have been submitted to the state no later than November 1993. As of February 1, 1994 only \$2.77 million has been remitted, leaving an excess of \$1.0 million uncollected. Depending upon audits and other uncontrolled variables, these uncollected funds may become available either at the end of FY94, or possibly in FY95 or FY96.

ASMI's FY94 total program receipts are projected to be \$6.5 million, of which only \$2.77 million will be available prior to the fourth quarter. Since 60% of ASMI revenues will not be available until the last months of the fiscal year, it is impossible to accurately match revenues and expenditures to assure sound program management. In order to maximize use of these industry resources without risking over expenditure, inappropriate last minute encumbering or lapsing of unobligated funds, ASMI requires the flexibility to receive and expend these revenue balances in the subsequent fiscal year.

Failure to obtain flexible receipt appropriation authority poses a significant threat to ASMI's ability to utilize program revenue to market products that directly affects the economic well being of the Alaska fishing industry. A marketing program effectiveness is significantly diminished when long range planning is not feasible because revenue flow methodology.

Thank you for your assistance and if you have any questions or concerns please feel free to contact me at 5560.

Date JAN 20 1994

Anchorage Daily News

Client No. _____

Salmon fleet frets as Tokyo sockeye prices plunge

By HAL BERNTON
Daily News business reporter

The price Alaska red salmon sells for in Japan has plunged to its lowest level in 13 years, a possible grim sign for the coming summer salmon season.

The state Office of International Trade, in a recent fishery update, says frozen Alaska red salmon is trading wholesale for as low as \$4 a kilogram, compared with \$10.72 a kilogram in March 1992.

While the price has been falling for nearly two years, in recent weeks the decline has intensified as a surge of fresh farmed salmon has reached Japan.

"It's pretty dismal, and nobody knows whether we have reached the bottom or not," said Alec Brindle,

president of Ward's Cove Packing Co., a major Alaska salmon processor.

Japan is the world's biggest buyer of Alaska salmon, and market events

there have the power to make or break seasons for state fishermen.

Last year, as Tokyo wholesale markets sagged, the price paid to fishermen

for Bristol Bay red salmon fell to 60 cents a pound, compared with more than \$2 a pound in the late '80s. Fishermen say they fear the continued decline of Tokyo

markets could push Alaska prices significantly lower this summer.

"I would have to characterize it as an industry in crisis," said David Wilder, a

Fishermen owe \$13.7 million in unpaid taxes

By HAL BERNTON
Daily News business reporter

More than one-quarter of the 8,802 Alaskans holding limited-entry fishing permits are either behind in their taxes or have failed to file returns, according to the Internal Revenue Service.

Alaska salmon fishermen hold most of those permits, and recently released statistics offer the first look at their overall tax problems. The permit holders owe an estimated

\$13.7 million in back taxes, the IRS reported in a summary of the delinquent accounts.

Sen. George Jacko, D-Pedro Bay, has introduced a bill to make commercial fishermen who own limited-entry permits eligible for state loans to help pay federal taxes and child support. According to Jacko, Senate Bill 151 would prevent fishermen from being forced into a position where they would sell their permits — the state-issued documents that

give them the right to join in regional harvests.

"When they sell out their permits, they go more often to people out of state than in state. The state has an interest in keeping them here," he told The Associated Press.

Many fishermen fear the IRS will try to seize their permits, which can be passed on from generation to generation or sold.

Please see Back Page, TAXES

Bristol Bay gillnet fisherman recently named chairman of the Alaska Seafood Marketing Institute. "A lot of guys are highly leveraged (with debt) and just aren't going to survive."

The fishermen with the most problems are those with big payments to make on new boats or limited-entry permits bought when salmon markets were peaking.

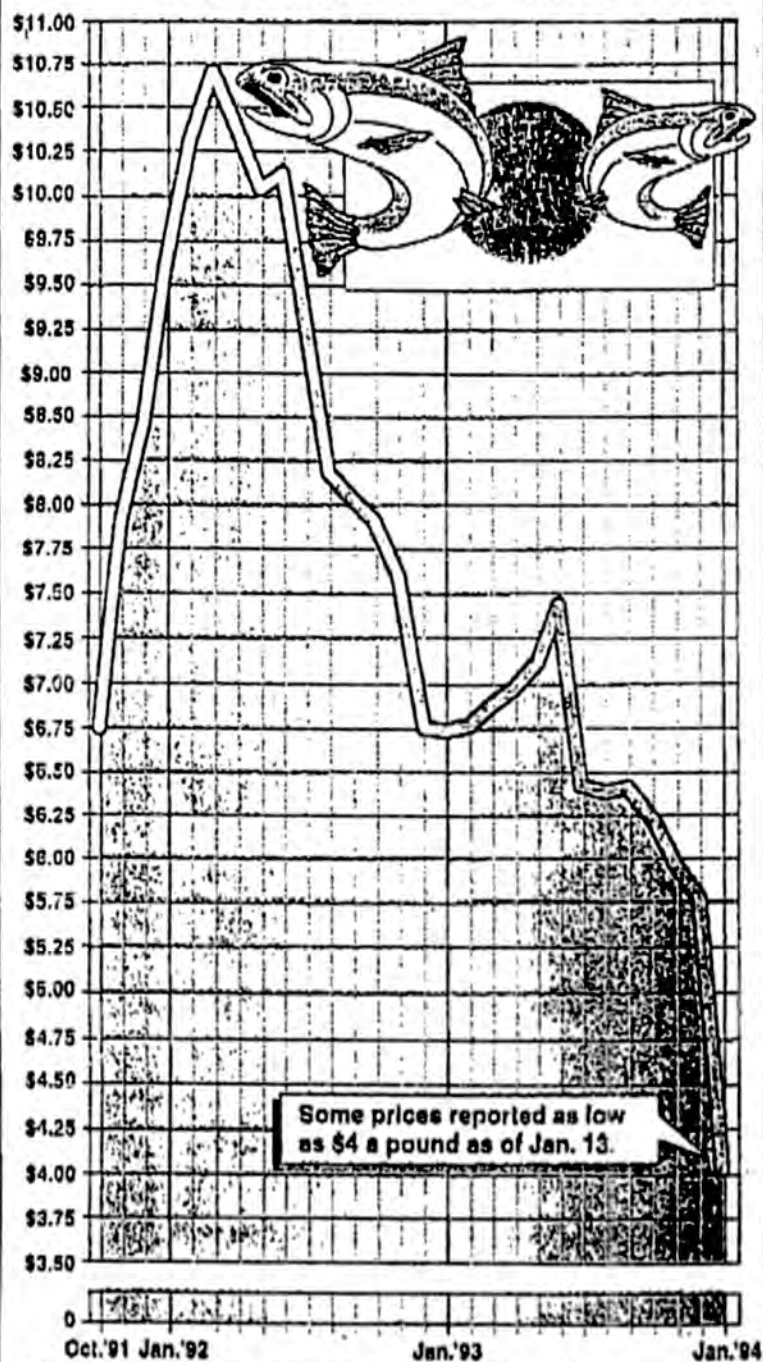
Both fishermen and processors now are struggling to come to terms with what some see as fundamental changes in world markets.

One change is in Russia, with an industry dramatically increasing wild- and hatchery-salmon exports to gain hard currency. Those

Please see Back Page, FISH

Price drop for Bristol Bay reds*

Tokyo market price by month from Oct. 1991 through Jan. 13, 1994



*Tokyo central wholesale market list prices per kilogram of frozen sockeye salmon

Source: Alaska State Office, Tokyo

RON ENGSTROM / Anchorage Daily News

Continued from Page A-1

exports to Japan last year increased by 150 percent, according to statistics from the state Department of Commerce and Economic Development.

But the big new force on world market is salmon farming, which is banned by law in Alaska. Just a decade ago, salmon farmers barely had a foothold in world salmon markets. Since then, the farmers, who raise salmon in saltwater pens, have captured a third of the world salmon market, according to statistics from the state Commerce Department.

The fish farmers' assault on world markets has been led by Norway and Chile, and both nations keep expanding production each year.

"Alaska no longer drives the salmon market," said Rick Lauber, a Juneau vice president of the Seattle-based Pacific Seafood Processing Association. "It's driven by Chile and Norway."

Farmed salmon are flooding Japan at a time when a

Alaska no longer drives the salmon market. It's driven by Chile and Norway.

— Rick Lauber, Pacific Seafood Processing Association.

weak economy there has dampened consumer demand, said Gunnar Knapp, a University of Alaska Anchorage economist who studies the Japanese market.

Farmed salmon also has flowed into Lower 48 markets. And it has grabbed away European markets from Alaska fishermen.

The state Commerce Department has been working with the salmon industry to come up with a plan to help processors and fishermen survive in tough times. The state already has a big financial stake in the industry, with more than \$130 million loaned to fishermen and aquaculture associations that produce hatchery salmon runs.

Most of the new proposals

— still in draft form — are aimed at helping the industry either improve the quality of Alaska salmon or add value to finished products.

The proposals include a possible state loan program to help boat owners add refrigeration units, a \$50 million state endowment to fund research for new products and tax credits to buy equipment that would increase quality or value of salmon products.

Fishermen also have begun taxing themselves to raise more money for marketing, and many hope to try to increase sales in the Lower 48. The tax on last year's harvest is expected to raise about \$3 million, and the salmon marketing institute — recently expanded to include more fishermen on its board — will decide how to spend that money; said Paul Fuhs, the Commerce Department commissioner.

Some fishermen also are beginning to wonder whether the industry may need to begin to reduce the size of the fleet that now harvests Alaska salmon. In Prince William Sound, for example,

low prices and weak runs have taken the profit out of seine boat operations.

At times, a half dozen or more seine boats line up at a prime fishing spot, waiting for hours to set their nets.

"Considering the ever-increasing efficiency of commercial fishing boats and gear, it's possible that our existing salmon resources cannot support a fishing fleet of this size," wrote Mary McBurney, executive director of the Cordova District Fishermen's United, in a December letter to Fuhs.

McBurney asked Fuhs to study the possibility of a state buyback of limited-entry permits that enable fishermen to harvest Sound salmon.

Wilder, the Bristol Bay fisherman, said he would favor a tax on bay fishermen that could be used to buy back bay permits.

Fuhs said buybacks are a sensitive issue because reducing the fleet size can change the whole social fabric of communities. "This is the first time you've had fishermen willing to look at this," he said.

TAXES: Fishermen owe millions to Internal Revenue

Continued from Page A-1

The IRS has already seized some permits and auctioned them off. But the state has refused to authorize the transfer of seized permits sold by the IRS. The IRS is now in court seeking to define the requirements for state transfer of a seized permit.

Some fishermen in recent years have been battered by low prices and — in some

areas — weak returns that have gutted savings and left them unable to pay the IRS or any other creditors, said Steve Shamburek, an Anchorage attorney who has toured rural areas and counseled fishermen as part of a "Bad Times" group of state and financial consultants.

The tax statistics indicate that most of the delinquent payments don't involve huge sums of cash, said Bruce Twomley, chairman of the

state Commercial Fisheries Entry Commission, which obtained the statistics from the IRS.

"A lot of folks are in trouble but at a level where — with appropriate assistance — they might be able to work out their problems," he said.

According to the IRS, 1,173 Alaska permit holders have failed to file returns, and 1,111 owe money. Of those who owe money:

- 827 owe \$10,000 or less.
- 130 owe between \$10,000 and \$20,000.
- 101 owe between \$20,000 and \$50,000.
- 32 owe between \$50,000 and \$100,000.
- 21 owe more than \$100,000.

The regions with the biggest tax problems include Bethel, Bristol Bay, the Kodiak Island, Lake and Peninsula, and Kenai Peninsula boroughs.

There will be plenty of wild salmon from Alaska this year, even if the total is down from 1993's blockbuster season. As detailed in the table below, the Alaska Department of Fish & Game is expecting a 1994 salmon catch of 167 million fish. This compares to the 1993 projection of 173 million salmon and the actual 1993 catch, a new record, of 193 million salmon.

Comparing 1993's catch with 1994's forecast, there are 9.1 million fewer reds, a million less coho, 12.7 million fewer pinks, 2.6 million fewer chums.

The 1994 sockeye catch is projected to be 55.9 million fish, down from 1993's actual harvest of 65 million. Bristol Bay will again be strong, with an expected catch of 39.6 million sockeye, close to 1993's catch of 40.8 million. Upper Cook Inlet, Chignik, Kodiak, North Peninsula will be down.

Look for fewer pink salmon from Alaska next year, though the catch will still be large. This year's forecast calls for 96.3 million pinks compared to a 1993 catch of 109 million. The big question will be Prince William Sound, which failed last year. The difficulty this year will be caused by the small returns of wild fish and the forecast of a huge return of hatchery pinks.

The projected chum catch for 1994 is 9.5 million fish. This is down from the 12.1 million chum caught last year, a year in which the chum runs in western Alaska failed completely. There is no explanation for the failure.

A bad sign for selling prospects, the Japanese market continues to fall. Frozen Bristol Bay sockeye wholesale at Tokyo's Central Market under Y600/kg., with 4-6s at Y550/kg. vs. Y780-Y850/kg. a year ago and Y1,150/kg. in 1992.

Japanese cold storage holdings are worrisome. They are up over the prior year. At the end of November, there were 128,265 metric tons of frozen and salted salmon on hand in Japan. While this is down from October's 134,038 tons, it's still well above the 105,183 tons on hand in November 1992.

There is plenty of frozen salmon in U.S. cold storages, though holdings aren't as burdensome as in Japan. At the end of December, there were 22,197 metric tons on hand, down from the 23,836 tons on hand in December 1992.

Some U.S. marketers have put together retail programs for frozen salmon. They are using pinks and small chums that wholesale for \$.60-\$.80/lb. and can get onto retail counters for less than fresh Atlantics or kings. The price could do the trick, even when B.C. farmed kings are on special at \$3.49/lb.

1994 ALASKA SALMON FORECAST
(000s of fish, by species)

Area	Chinook	Sockeye	Coho	Pink	Chum	Total
Southeast Total	278	1,960	2,600	47,000	3,700	55,500
Cordova	44	1,180	590	24,100	1,090	27,004
Upper Cook Inlet	15	2,000	400	600	250	3,265
Lower Cook Inlet	1	272	13	595	111	992
Bristol Bay	76	39,600	157	1,140	1,040	42,013
Central Total	136	43,000	1,160	26,400	2,490	73,200
Kodiak	25	2,430	325	13,700	610	17,090
Chignik	7	1,900	200	1,300	200	3,607
South Peninsula	10	4,000	300	7,000	1,600	12,910
North Peninsula	16	2,500	200	100	250	3,066
Aleutian Islands	0	5	0	300	0	305
Westward Total	58	10,830	1,020	22,400	2,660	36,900
AYK Total	156	134	625	553	600	2,060
1994 PROJECTED	628	55,900	5,410	96,300	9,450	167,000
1993 PROJECTED	602	48,000	5,380	107,300	10,000	171,000
1993 ACTUAL CATCH	648	65,000	6,010	109,000	12,100	193,000



Date **JAN 30 1994**

Anchorage Daily News

Client No. 228

The Almanac

How bad is the market for salmon?

Alaska's share of the world salmon market a decade ago:
43 percent.

Alaska's share today: **31 percent.**

Farmed salmon's share of the world market a decade ago:
Virtually zero.

Farmed salmon's share today: **33 percent.**

Alaska's share of the Japanese salmon market in 1988: **85 percent.**

Alaska's share of the Japanese market in 1992: **57 percent.**

Amount Chile is projected to increase its farmed salmon production: **30 percent per year.**

Chile's prime markets: **Japan and the United States.**

Amount Russia increased its salmon exports to Japan in 1992: **150 percent.**

Price Russian pink salmon sell for in Japan: **4 cents a pound.**

Price of Alaska pink salmon in 1988: **77 cents a pound.**

Price of Alaska pink salmon in 1993: **12 cents a pound.**

Price of Bristol Bay sockeye in 1988: **\$2.25 a pound.**

Price of Bristol Bay sockeye in 1993: **60 cents a pound.**

Number of Alaska fishermen who have requested loan extensions from the state's loan program over the past three years: **1,200.**

Source: Alaska Department of Commerce and Economic Development



Date **JAN 24 1994**

KETCHIKAN
DAILY NEWS

Client No. **228**

Work together now

The bleak news about the declining Japanese wholesale price of sockeye salmon is frightening — for Ketchikan and for the state.

It's scary for Alaska because the Japanese wholesale prices likely will mean a lower price paid to Alaska fishermen this season for sockeye. This comes after the 1993 season when Bristol Bay fishermen received 60 cents a pound for the product, compared to more than \$2 a pound in the late 1980s. Bristol Bay is home to the largest sockeye fishery in the state.

It's scary for Ketchikan, because the Bristol Bay sockeye fishery usually sets the scale for salmon prices statewide. There also are many here who travel to Bristol Bay to fish.

The news is a continuing blow to an industry that has been faced with plummeting salmon prices in recent years. That, coupled with the tough times faced by the timber industry, could have a profound impact on the First City. Fishing and timber are two of the three legs that sustain our economy.

Now is the time for the industries, the community, the region and the state to come together.

Fishermen and loggers need to work together to help save each other's industries, especially because their resources affect each other.

Those within the industries need to reach common ground. It was encouraging that for the first time the three commercial fishing gear groups — seiners, trollers and gillnetters — voluntarily got together to discuss their future during the Board of Fisheries meeting in Ketchikan.

Ketchikan needs to take a stance and fight for its industries. That has started with the Ketchikan 2004. The 2004 forums will focus on all components of our economy and discussions will center on how the economy can be strengthened. The forums will include panel

discussions by respected leaders in the fishing, timber and tourism industries.

But it shouldn't just be up to our industry and community leaders to figure out a game plan for our future. Ketchikan citizens, who all rely on the economy, need to speak out.

Like C.L. Cheshire, director of the university's Ketchikan Economic Center and an organizer of the event, said: "We need to have community involvement. If we just have a plan, we've wasted our time."

Ketchikan also needs to keep working with other communities in the region to bring about a unified voice. That unity will strengthen our stance at a state level.

The state will continue to be forced to take a hard look at the region's problems, such as those in the timber industry.

The state needs to continue to approach the fishing industry in the same fashion, as its economic impacts reach all corners of the state.

It might be tough but everyone needs to face the facts. Alaska salmon is no longer number one on the Japanese market. It has been pushed aside by a glut of farmed salmon and Russian salmon.

Russia's salmon imports to Japan increased 150 percent in 1992. Norway and Chile have been producing more farmed salmon to satisfy Japanese needs. The wholesale price in Japan is less than half of what it was just two years ago. One leader in the fishing industry said that he didn't know if we had reached rock bottom yet.

It's time to do something. It's time to brainstorm and come up with new ideas to break our dependence on the Japanese fish market. It's time to make changes that will save our industries.

The answer is to work together within the industries, within the community, within the region and within the state to make a difference nationally and internationally.

Our livelihoods depend on it.

State should aid salmon industry

Falling prices create a crisis

The following editorial appeared recently in the Ketchikan Daily News:

Teamwork and diversity, that's what it is all about. The Alaska fishing industry is in a crisis. Salmon prices continue to plummet as worldwide competition increases.

Fishermen can catch all the fish they want, processors can package it, but if there isn't a market for it, the resource doesn't do us much good.

Alaska is being pushed aside in the Japanese market by increased production from other countries. But there is another opportunity here in the United States. If we don't continue building on our domestic marketing program, Alaska will lose that opportunity to foreign companies.

Reports are that Chilean farmed salmon are being sold in Florida for \$1.80 a pound. Alaska needs to move fast to target the basically untouched domestic market.

Chicken, beef and pork are staples in most U.S. households. It's time salmon and other seafood be included in the weekly dinner menus. But the average consumer doesn't know how to fix salmon. We need to educate consumers, and we need to convince traders about the benefit of seafood.

Most of all, we need to diversify.

Salmon can be fixed in a variety of dishes. There has been some experimental work done in Alaska to develop value-added products, such as microwave menus. But there needs to be more work.

Convenience is what will attract U.S. consumers to buy salmon. To expand the marketplace, there has to be cohesiveness and not divisiveness in the industry. There has been some movement by Southeast fishing gear groups to come together. We hope that continues to build. We hope strong relationships are fostered statewide to give strength to the entire industry.

The industry also needs to form a group devoted to developing ways to break into the domestic market.

Other industries have taken such steps and have been successful. Turkey, for instance, is now a year-round food product.

It is encouraging that money for domestic marketing will quadruple this fiscal year from the new 1 percent tax paid by salmon fishermen. About \$4 million will be available for such marketing. That's a start. But more money will be needed to do the job.

The Washington apple industry, for instance, spent approximately \$7 million on a promotion touting its fruit. An "Eat Beef" promotion cost about \$27 million.

But to be successful, it isn't all up to industry. The state needs to support the industry. Our state is fortunate to have such a viable resource. But there needs to be more research and more development.

Our policy makers need to realize that the fishing industry is in a crisis. Some progress is being made, but at a snail's pace. Let's make this industry a priority before we lose the one untapped market we could make successful here in the U.S.A. We can no longer depend on the old ways of relying solely on the Japanese market.

We need to look at new, innovative ideas. For that to happen, the industry and state need to work together. This resource is too precious to waste.

SCOMM

87:4



Official Business

PLEASE PRINT!

NAME

COMMITTEE:

HOUSE SPECIAL COMMITTEE
ON FISHERIES

DATE: FEBRUARY 16, 1997

SIGN - IN

Subject of meeting:

PHIL SMITH, NMFS
HALIBUT AND SABLEFISH
IFQ IMPLEMENTATION

ADDRESS

(MAILING) & (ZIP)

PHONE

REPRESENTING

DO YOU WANT TO TESTIFY?

[illegible]



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 21668
Juneau, Alaska 99802-1668

February 16, 1994

MEMORANDUM FOR: Hon. Carl Moses, Chairman
Members of the Committee on Fisheries
Alaska State House of Representatives

FROM: Philip J. Smith, Chief *Philip J. Smith*
Restricted Access Management Division
Alaska Region, National Marine Fisheries Service

SUBJECT: Status Report: Implementation of the IFQ
Program for Pacific halibut and sablefish

Thank you for the opportunity to provide you with this summary of the steps we are taking to implement the Individual Fishing Quota (IFQ) program for the Pacific halibut and sablefish fisheries. A lot has been happening during the past few months, and it is entirely appropriate that you should be kept apprised of the progress we are making to move this program forward.

It remains our goal to complete the implementation stage of the program by early next year, with the expectation that fishing with IFQs will commence on March 1, 1995. To reach that goal, we must implement an applications process, receive and process applications, award Quota Share to eligible applicants, provide for transfer of Quota Share, determine Individual Fishing Quota (based upon the allowable catch levels established for 1995), issue that IFQ, and provide for reporting and monitoring of the use of IFQ during the open fishing periods.

The time-frame we are following to accomplish those tasks is set out in the Attachment ("A") appended to this Memo. The functional organization of our office is likewise displayed on another Attachment ("B").

Applications Process

On December 31, we distributed over 8,000 copies of the "Request for Application" Package to every vessel owner and/or permit holder who owned or leased a vessel and/or who held a permit card and recorded legal landings during the qualifying years. Included in the package were forms for the potential applicant to complete and return to us. To date, more than 1,000 have been returned to us. At this point, we are preparing pre-printed applications that will display data (from the computerized database -- the "NMFS official IFQ record") of vessel ownership, landings by year, etc. That document will become the formal application, and will be sent to the applicant. When it is signed and sent back to us, and if no challenges to



information are lodged by either the applicant or another party, we will issue the quota.

Applicants may, of course, dispute the "NMFS official record" by submitting their own information. If their information is clear and convincing on its face, we will alter the official record and issue quota based upon the new information. If not, the applicant will be given one more opportunity to perfect his/her application prior to final administrative denial and being instructed on how to file a formal appeal (see, Attachment "C" for a display of the flow of applications through the system)

Application Assistance and Public Information

It remains our intent to hold IFQ Workshops in major longline fishing ports -- and, additionally, to provide applications assistance throughout the applications period. The workshops will commence next month (starting March 7), starting in Southeast ports (Ketchikan, Wrangell, Petersburg, Sitka, and Juneau). We will have a booth at the Kodiak Fish Expo on March 18 - 20, and will offer seminars on the program and its implementation at that time. Additional meetings are being scheduled in Seward, Homer, Kenai/Soldotna, Anchorage, and Cordova. Additionally, we will monitor the return of both pre-applications and applications from the smaller communities and offer assistance as may be needed.

Further, in a good faith attempt to "spread the word" about the program, I have accepted invitations to speak to various regional groups (for instance, I am speaking to the Southeast Alaska ANCSA President's Association later this month).

We are also taking steps to make our office very accessible to fishermen and other members of the industry. We have installed a toll-free telephone service (1-800-304-4846) in order to expedite our ability to respond to questions and to provide assistance to QS applicants.

Regulations

1. Regulations to govern the appeals process have been submitted to Washington and comment on this "Draft Proposed Rule" will be accepted through March 28. Since these regulations must be final by late spring (at which time we will begin to deny applications), we will move rapidly to get a final rule published as soon as possible following the comment period.

2. We have conducted a detailed review of the regulations that govern the transfer of QS and IFQ. Since there are some areas that are unclear and/or internally inconsistent, we are developing some technical amendments that will make this section of the regulations more consistent and workable.

3. Related to "2" above, we are also moving quickly on regulations to implement the "block" restrictions as adopted by the Council in early October. These rules will directly

impact transfer decisions.

Initial Distribution of Quota Share

In response to a request from Representative Bill Hudson, I reviewed data pertaining to the initial distribution of Quota Share in the subject fisheries. Attached hereto is a copy of the letter I prepared for Rep. Hudson, together with tables prepared by the North Pacific Fisheries Management Council (the architects of the program) that display the anticipated distribution of benefits upon initial issuance of Quota Share.

Conclusion

As noted, it remains our intent to have this program fully implemented by March of 1995. Getting from here to there will present challenges, but none of them presently appear to be insurmountable. We hope to maintain good communications with the industry throughout the process, in order to put in place an efficient, responsive, and "user friendly" implementation effort.

Attachments: A - Implementation Time-Lines
 B - Division Organization
 C - Applications Flow Chart

1/27/94 Letter to Rep. Hudson,
 with attachments

IFQ Implementation Projected Time-Frames

What Happens?

- Pre-Applications Mailed
- Application Period
- Town Meetings & Assistance
- Applications Processing
- Appeals of Determinations
- Quota Share Issued
- Quota Transfers Begin
- 1995 TAC's Established
- IFQ Issued
- IFQ Fishing Begins

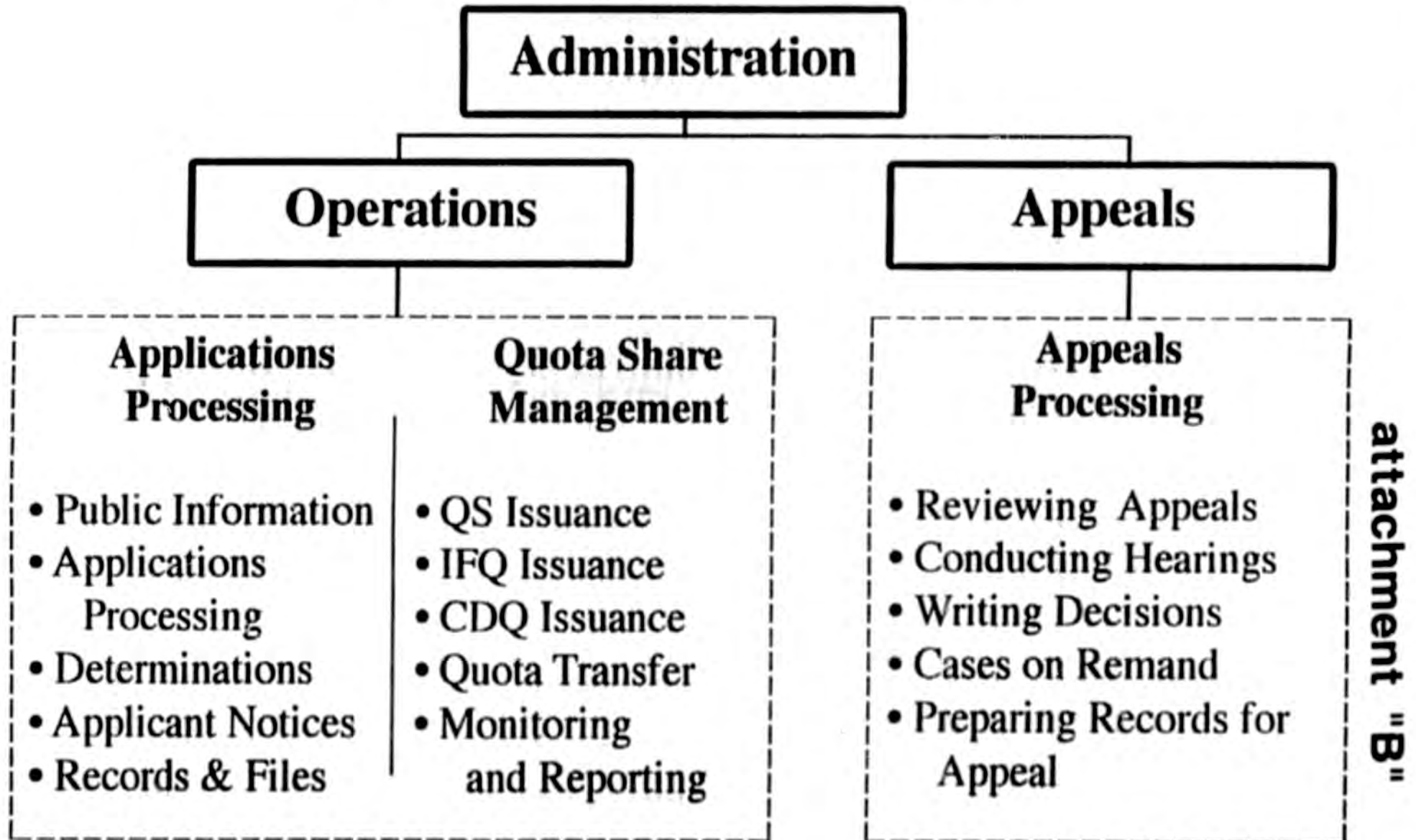
When?

December, '93
Jan - Jun, '94
Feb - Mar, '94
Feb - Oct, '94
Apr - Nov, '94
Nov - Dec, '94
December, '94
January, '95
February, '95
March, '95

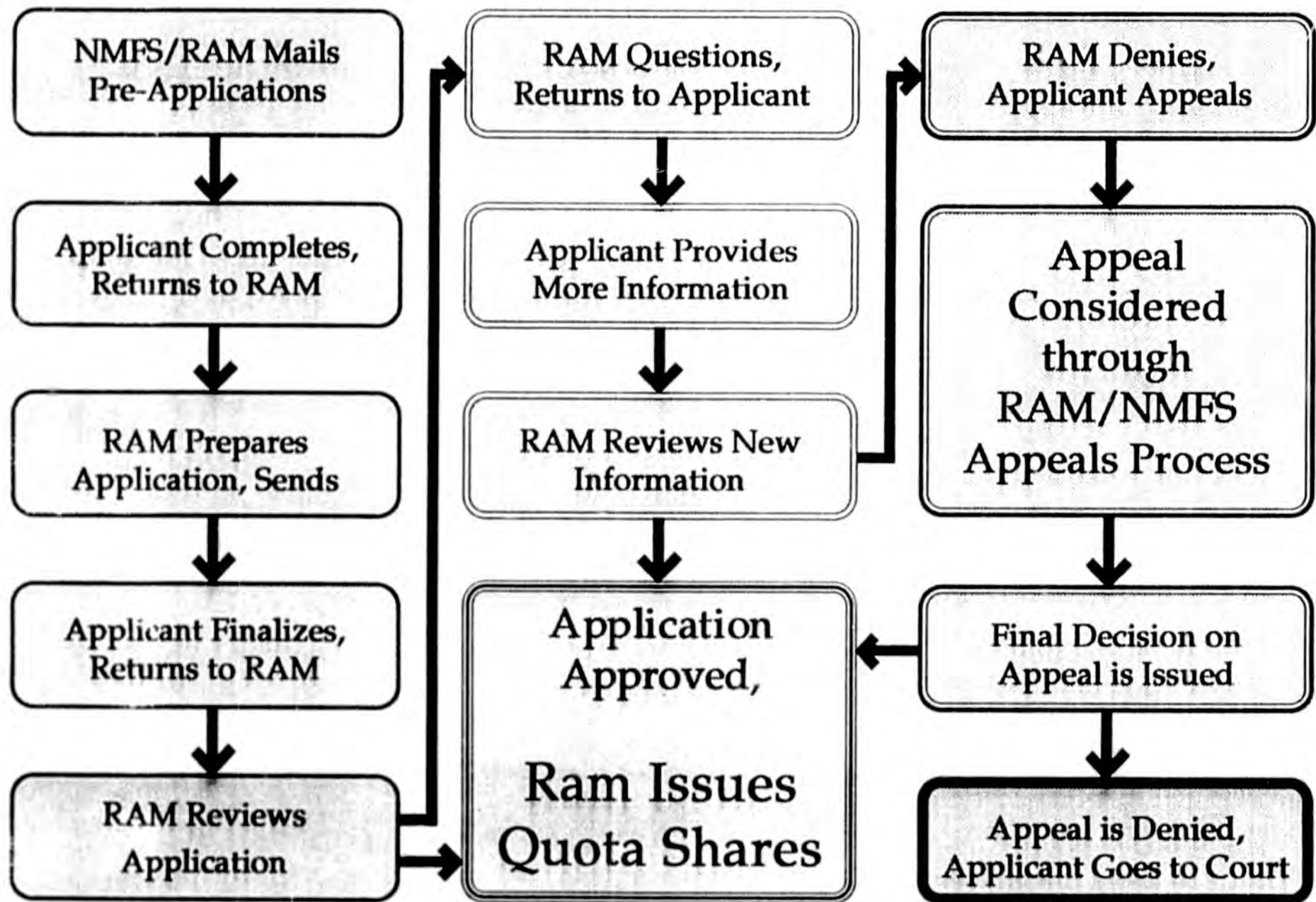
attachment "A"

Functional Organizational Chart

Restricted Access Management Division



Quota Share Applications Process



attachment "C"



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 21668
Juneau, Alaska 99802-1668

January 27, 1994

VIA FACSIMILE: 465-3793

Hon. Bill Hudson, Vice-Chairman
Committee on Resources
Alaska House of Representatives
P.O. Box V
Juneau, Alaska 99811

Dear Representative Hudson:

At last Friday's meeting of the Resources Committee, a number of questions regarding the distribution of benefits under the Pacific halibut and sablefish Individual Fishing Quota (IFQ) program were raised. At that time, I said that I would "revisit" the data assembled by the North Pacific Fisheries Management Council (the "Council") and provide it to you by no later than Friday, January 28.

Since that meeting, I have had an opportunity to review the data as published by the Council on March 27, 1992. The tables attached hereto are part of the Supplemental Environmental Impact Statement prepared pursuant to the requirements of the National Environmental Protection Act (NEPA).

As I understood your request, you were interested in knowing how the initial distribution of Quota Share (QS) under the program would impact various "regions" within Alaska. The attached tables, which contain estimates derived from fish ticket and vessel licensing files, may be useful for your purposes (though the data is aggregated and displayed by Census Area rather than by "region"). The tables are as follows:

<u>Table Number</u>	<u>Displaying</u>
3.14	Estimated numbers of Alaskans, disaggregated by Census Area, who will be awarded Quota Share upon initial issuance.
3.15	Estimated percent of total Alaskan Quota Share recipients, disaggregated by Census Area.
3.16	Estimated value of Quota Share that will be awarded to Alaskans, disaggregated by Census Area.
3.17	Estimated percent of total value of Quota Share that will be awarded to Alaskans, disaggregated by Census Area.



Please note that these tables include both halibut and sablefish Quota Share recipients, and that they are estimates derived from fish ticket and vessel registration files. Further, the estimated "value" of the Quota Shares that will be issued reflect estimated historic gross earnings in the fisheries -- the actual "market value" of Quota Shares is expected to be somewhat higher than the market value for the product.

From these data, we can see that approximately 5,579 Alaskans will receive Quota Share upon initial issuance. This represents 86.5% of all persons who will be initially be awarded Quota Share. The value of that Quota Share is estimated at \$144,660,000 (or, approximately 63.5% of the total).

These numbers may provide some comfort to those who are concerned that the IFQ program will provide disproportionate benefits to fishermen who reside outside of Alaska. Although the Federal government must implement this program with strict neutrality (with respect to the distributional benefits), it would seem to me that the challenge to those who wish to retain (or increase) those benefits on behalf of Alaska residents is to devise a system of information, capital, and cooperation that will insure that Alaskans do not involuntarily lose their Quota Share, and that will assist Alaskans to acquire additional Quota Share.

Now that the implementation of the program is under way and people are beginning to realize that it is "really going to happen," there are a number of suggestions being advanced to improve upon it (that is, to redistribute its benefits to one constituent group or another). What is not generally understood is that any programmatic amendments must be initiated through the North Pacific Fisheries Management Council.

Since the Council (which next meets during the week of April 18 in Anchorage) worked on the IFQ program for several years prior to final approval, there may be some resistance to attempts to redesign its major elements at this late date. Additionally, of course, any significant alteration in the "rules of the game" will result in a "time out" and could well derail the efforts that are currently being made to implement the program by next spring.

I hope this information has been helpful. Please don't hesitate to contact me (586-7344) should you have any additional questions.

Sincerely,


Philip J. Smith
Chief, Restricted Access
Management Division

Slack
restrictions
2000
transfer as
made

Table 3.14 Number of halibut and sablefish vessel owners (1985-1990) and number of quota share (QS) recipients by year and census area of owner residence.

Number of halibut and sablefish vessel owners and QS recipients by year and census area of residence.

Census area	YEAR						
	85	86	87	88	89	90	QS
Anchorage	195	194	222	231	170	211	356
MatSu Borough	24	25	31	42	37	43	74
Kenai Peninsula Borough	384	503	620	715	604	728	1,051
Kodiak Island Borough	301	353	414	390	353	456	587
Valdez-Cordova	67	112	147	116	55	149	208
Fairbanks-North Star Bor.	9	14	15	19	19	21	36
SE Fairbanks	0	0	1	0	0	0	0
Yukon-Koyukuk	3	2	2	3	1	3	6
Nome	1	1	0	1	0	1	2
North Slope Borough	0	1	1	1	0	1	1
NW Arctic Borough	0	0	0	0	0	1	1
Haines Borough	43	60	71	77	79	73	95
Juneau Borough	154	195	184	222	232	221	315
Ketchikan-Gateway Borough	104	107	133	148	137	134	194
P.of Wales-Outer Ketchikan	80	103	125	154	161	166	236
Sitka Borough	201	233	268	292	296	286	406
Skagway-Yakutat-Angoon	178	198	205	243	237	225	320
Wrangell-Petersburg	324	373	393	448	415	397	575
Aleutians E. Borough	59	88	102	96	87	103	136
Aleutians W. Borough	37	29	37	45	47	50	72
Bethel	55	59	94	21	17	28	50
Bristol Bay Borough	0	1	1	1	0	16	16
Dillingham	1	1	5	3	4	45	50
Wade Hampton	0	0	6	2	2	3	4
Lake & Peninsula Borough	8	10	18	20	9	27	33
All Alaska Areas	2,507	3,028	3,531	3,704	3,406	3,916	5,579

Table 3.15 Percent of halibut and sablefish vessel owners and QS recipients by year and census area of residence.

Census area	YEAR						
	85	86	87	88	89	90	QS
Anchorage	7.8%	6.4%	6.3%	6.2%	5.0%	5.4%	6.4%
MatSu Borough	1.0%	0.8%	0.9%	1.1%	1.1%	1.1%	1.3%
Kenai Peninsula Borough	15.3%	16.6%	17.6%	19.3%	17.7%	18.6%	18.8%
Kodiak Island Borough	12.0%	11.7%	11.7%	10.5%	10.4%	11.6%	10.5%
Valdez-Cordova	2.7%	3.7%	4.2%	3.1%	1.6%	3.8%	3.7%
Fairbanks-North Star Bor.	0.4%	0.5%	0.4%	0.5%	0.6%	0.5%	0.6%
SE Fairbanks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Yukon-Koyukuk	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Nome	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
North Slope Borough	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NW Arctic Borough	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Haines Borough	1.7%	2.0%	2.0%	2.1%	2.3%	1.9%	1.7%
Juneau Borough	6.1%	6.4%	5.2%	6.0%	6.8%	5.6%	5.6%
Ketchikan-Gateway Borough	4.1%	3.5%	3.8%	4.0%	4.0%	3.4%	3.5%
P.of Wales-Outer Ketchikan	3.2%	3.4%	3.5%	4.2%	4.7%	4.2%	4.2%
Sitka Borough	8.0%	7.7%	7.6%	7.9%	8.7%	7.3%	7.3%
Skagway-Yakutat-Angoon	7.1%	6.5%	5.8%	6.6%	7.0%	5.7%	5.7%
Wrangell-Petersburg	12.9%	12.3%	11.1%	12.1%	12.2%	10.1%	10.3%
Aleutians E. Borough	2.4%	2.9%	2.9%	2.6%	2.6%	2.6%	2.4%
Aleutians W. Borough	1.5%	1.0%	1.0%	1.2%	1.4%	1.3%	1.3%
Bethel	2.2%	1.9%	2.7%	0.6%	0.5%	0.7%	0.9%
Bristol Bay Borough	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.3%
Dillingham	0.0%	0.0%	0.1%	0.1%	0.1%	1.1%	0.9%
Wade Hampton	0.0%	0.0%	0.2%	0.1%	0.1%	0.1%	0.1%
Lake & Peninsula Borough	0.3%	0.3%	0.5%	0.5%	0.3%	0.7%	0.6%
All Alaska Areas	88.9%	87.9%	87.7%	88.8%	87.0%	86.5%	86.5%

Note: Total percent of owners may be less than 100% due to presence of non-Alaskan owners not shown.

Table 3.16 Estimated value of catch of Pacific halibut and sablefish, in thousands of dollars, (1985-1990), and calculated value of IFQs¹, by year and census area of owner residence.

Halibut and sablefish value and IFQ value by year and census area of residence.

Census area	YEAR						
	85	86	87	88	89	90	IFQ
Anchorage	967	1,733	4,945	3,647	2,180	3,126	3,063
MatSu Borough	128	167	232	326	461	545	410
Kenai Peninsula Borough	6,078	12,820	17,109	22,281	21,184	20,896	19,446
Kodiak Island Borough	13,812	25,684	25,115	23,621	21,837	18,569	24,111
Valdez-Cordova	720	3,067	2,824	2,569	2,930	3,461	2,142
Fairbanks-North Star Bor.	7	39	34	40	48	56	40
SE Fairbanks	0	0	*	0	0	0	0
Yukon-Koyukuk	*	*	*	*	*	*	2
Nome	*	*	0	*	0	*	*
North Slope Borough	0	*	*	*	0	*	*
NW Arctic Borough	0	0	0	0	0	*	*
Haines Borough	354	671	1,181	1,136	906	951	920
Juneau Borough	1,548	3,703	4,499	5,444	7,317	7,024	4,763
Ketchikan-Gateway Borough	1,670	3,157	3,317	3,168	4,438	4,063	2,543
P.of Wales-Outer Ketchikan	257	913	1,463	1,387	2,064	2,816	1,470
Sitka Borough	5,178	8,092	11,532	17,695	15,394	14,907	12,012
Skagway-Yakutat-Angoon	1,854	3,790	4,930	6,710	6,062	4,838	4,015
Wrangell-Petersburg	5,869	13,746	14,808	16,490	17,471	18,765	14,193
Aleutians E. Borough	1,167	2,730	3,014	1,372	1,251	3,197	2,450
Aleutians W. Borough	412	314	1,051	1,328	630	552	849
Bethel	22	63	106	12	24	38	98
Bristol Bay Borough	0	*	*	*	0	11	7
Dillingham	*	*	51	*	306	47	31
Wade Hampton	0	0	4	*	*	*	4
Lake & Peninsula Borough	122	211	607	442	80	544	374
All Alaska Areas	66,046	123,853	149,210	173,052	174,555	168,457	144,660

¹Price/pound figures came from the Commercial Fisheries Entry Commissions' Condensed Gross Earnings data for halibut and sablefish for 1984 through 1990, from Pacfin data for 1991 sablefish, and from a conversation with the IPHC for halibut 1991.

*Due to confidentiality restrictions, this information could not be released.

Table 3.17 Percent of halibut and sablefish catch value and IFQ value by year and census area of residence.

Census area	YEAR						
	85	86	87	88	89	90	IFQ
Anchorage	1.5%	1.4%	3.3%	2.1%	1.2%	1.9%	2.1%
MatSu Borough	0.2%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%
Kenai Peninsula Borough	9.2%	10.4%	11.5%	12.9%	12.1%	12.4%	13.4%
Kodiak Island Borough	20.9%	20.7%	16.8%	13.6%	12.5%	11.0%	16.7%
Valdez-Cordova	1.1%	2.5%	1.9%	1.5%	1.7%	2.1%	1.5%
Fairbanks-North Star Bor.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SE Fairbanks	0.0%	0.0%	*	0.0%	0.0%	0.0%	0.0%
Yukon-Koyukuk	*	*	*	*	*	*	0.0%
Nome	*	*	0.0%	*	0.0%	*	*
North Slope Borough	0.0%	*	*	*	0.0%	*	*
NW Arctic Borough	0.0%	0.0%	0.0%	0.0%	0.0%	*	*
Haines Borough	0.5%	0.5%	0.8%	0.7%	0.5%	0.6%	0.6%
Juneau Borough	2.3%	3.0%	3.0%	3.1%	4.2%	4.2%	3.3%
Ketchikan-Gateway Borough	2.5%	2.5%	2.2%	1.8%	2.5%	2.4%	1.8%
P. of Wales-Outer Ketchikan	0.4%	0.7%	1.0%	0.8%	1.2%	1.7%	1.0%
Sitka Borough	7.8%	6.5%	7.7%	10.2%	8.8%	8.8%	8.3%
Skagway-Yakutat-Angoon	2.8%	3.1%	3.3%	3.9%	3.5%	2.9%	2.8%
Wrangell-Petersburg	8.9%	11.1%	9.9%	9.5%	10.0%	11.1%	9.8%
Aleutians E. Borough	1.8%	2.2%	2.0%	0.8%	0.7%	1.9%	1.7%
Aleutians W. Borough	0.6%	0.3%	0.7%	0.8%	0.4%	0.3%	0.6%
Bethel	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%
Bristol Bay Borough	0.0%	*	*	*	0.0%	0.0%	0.0%
Billingham	*	*	0.0%	*	0.2%	0.0%	0.0%
Wade Hampton	0.0%	0.0%	0.0%	*	*	*	0.0%
Lake & Peninsula Borough	0.2%	0.2%	0.4%	0.3%	0.0%	0.3%	0.3%
All Alaska Areas	60.8%	65.3%	64.9%	62.3%	59.9%	62.0%	64.3%

Note: Total percent of value may be less than 100% due to presence of catch to non-Alaskan owners not shown.

*Due to confidentiality restrictions, this information could not be released.

Rep Phillips

effect of lawsuit?

Smith

not affecting our offices work at all

Two suits

Alliance against IFQ's

taken on program in total

Secretary

Hawaii -

DNR (opposition)

taken on eligibility requirements

(Smith within Berry see)

Rep Phillips

involving -

Smith

market also would have there been