

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 RES 12677

**Before Senate Resources Committee, Senator Huggins, Chair**

**Testimony of John Davies, February 13, 2008**

**1998 Kittiwake Drive, Fairbanks, AK 99709**

**[john@cchrc.org](mailto:john@cchrc.org) or [jdavies@alaska.net](mailto:jdavies@alaska.net)**

**(H) 907-474-4927, (W) 907-457-3454, (C) 907-388-0193**

RE: Senate Bill No. 246, "An Act Establishing a working group to analyze the potential of a hydroelectric power project on the Susitna River; and providing for an effective date."

Good afternoon. My name is John Davies (above address). I am currently employed as the Research Director at the Cold Climate Housing Research Center (CCHRC). I also volunteer on the Cost of Energy Task Force under the Interior Issues Council, and on the Golden Valley Electric Association's (GVEA) Green Power Advisory Committee (GPAC). My testimony is my own and does not necessarily represent the position of any of the above entities.

However, I would note that it is part of the mission of CCHRC to seek sustainable shelter which includes consideration of energy sources. The Cost of Energy Task Force has recommended a 600 MW hydroelectric power plant on the Susitna River as part of its Fairbanks Energy Plan (available on the Fairbanks Economic Development Corporation's (FEDC) website [www.investfairbanks.com](http://www.investfairbanks.com)). And GVEA has adopted a Green Power Pledge to obtain 20% of its power from green energy sources by 2014. It plans to meet this goal by a combination of demand-side conservation measures, small-scale renewable energy (SNAP) producers, and hydroelectric and wind power projects.

I support this bill for the following reasons:

- (1) I concur with the bill's findings that we will need to replace or upgrade a significant number of the existing power plants of the Railbelt Utilities in the next decade or so, in addition to adding capacity to meet new demand.
- (2) I think that hydroelectric power, while it has its impacts, is one of the best options available to us in both economic and environmental terms. We should start with a statewide program to reduce demand by improving the efficiency with which we use electric (and other forms of) energy, but we will still have to add significant new and replacement capacity.
- (3) The sooner we transition to renewable sources of energy the better. It will be less expensive, less polluting, more secure, and will create local jobs.

- (4) It is my understanding that this project and the associated transmission lines could be financed without large outlays of state cash; although some state contribution would be welcome.
- (5) A related advantage to adding more hydropower and a more redundant and robust transmission line system is that it could improve our ability to add wind power to the system.

Thank you for this opportunity to testify on SB 246. I would be happy to try to field any questions you may have of me.



**FAIRBANKS**  
*Economic Development*  
CORPORATION

301 Cushman St., Suite 301, Fairbanks, AK 9970

February 11, 2008

Senator Joe Thomas  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801

Alaska is facing a growing and unanswered energy crisis. Within the next 10 years Alaska's Railbelt communities will need to replace 100% of their current power generation. In Rural Alaska the energy crisis is threatening to close communities that have existed hundreds of years.

Finding affordable, sustainable and environmentally friendly energy solutions for Alaska is the right investment in Alaska's future. Moving beyond an economy dependent on Federal spending and the price of oil will require leadership from both the State of Alaska Legislature and our Governor. We must make investments in Alaska that will contribute to our more self-dependent economic future.

We urge the Alaska State Legislature and the Governor of the State of Alaska to support Senate Bill 246 and create a task force to analyze the potential

Sincerely,

Jim Dodson  
President & CEO  
Fairbanks Economic Development Corporation

62  
**S B**

**248**

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 1/25/08

FURTHER: Finance

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Resources Committee considered SENATE BILL NO. 248

**SB 248 SALMON PRODUCT DEVELOPMENT TAX CREDIT**

"An Act relating to the salmon product development tax credit; providing for an effective date by amending an effective date in sec. 7, ch. 57, SLA 2003, as amended by sec. 4, ch. 3, SLA 2006; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
<hr/>
<b>HOUSE BILL:</b>
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED NAME	Do Pass	Do Not Pass	NOTE	REMARKS
	Green			✓	
	McBride			✓	
	Wielechowski	X			
	WAGONER	✓			
CHAIR:	HUGGINS	X			



# Senator Lyman F. Hoffman

Senate Finance Committee - Co Chair

Alaska State Legislature • State Capital • Juneau, AK 99801-1182  
Toll Free 1-866-465-4453 • (907) 465-4453 • Fax (907) 465-4523

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- Chetana
- Chernofski
- Chignik
- Chignik Lagoon
- Chignik Lake
- Clark's Point
- Cold Bay
- Dillingham
- Dutch Harbor
- Eek
- Egegik
- Ekuk
- Elwuk
- Faise Pass
- Goodnews Bay
- Ivanof Bay
- Kasigluk
- King Cove
- King Salmon
- Kipruk
- Koliganek
- Kongiganak
- Kwethluk
- Kwigillingok
- Lower Kalskag
- Manokotak
- Mekoryuk
- Naknek
- Napaklak
- Napaskiak
- Nelson Lagoon
- New Stuyahok
- Newtok
- Nightmute
- Nikolski
- Nunapitchak
- Oscarville
- Perryville
- Pilot Point
- Platinum
- Port Heiden
- Portage Creek
- Quinhagak
- Saint George Island
- Saint Paul Island
- Sand Point
- Shemya Station
- South Naknek
- Togiak
- Toksook Bay
- Tuluksak
- Tuntutuliak
- Tununak
- Twin Hills
- Ugashik
- Unalaska
- Unga
- Upper Kalskag

To: Senator Charlie Huggins, Chairman  
Senate Resources Committee

From: Senator Lyman F. Hoffman

Date: January 29, 2008

Re: SB 248 Salmon Tax Credits hearing

Senator Huggins,

At your convenience, I would request a hearing for Senate Bill 248, An act relating to the salmon product development tax credit.

Thank you for your consideration,

Lyman F. Hoffman  
Senate District 5

# ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair  
Sen. Bert Stedman, Vice Chair  
Sen. Lyda Green  
Sen. Gary Stevens  
Sen. Lesil McGuire  
Sen. Bill Wielechowski  
Sen. Thomas Wagoner



State Capitol, Room 119  
Juneau AK 99801-1182  
907-465-3878  
Fax: 907-465-3265  
800-862-3878

**Senate Resources Committee**  
Butrovich Room 205  
Friday, February 15, 2008  
3:30-5:30 p.m.

## AGENDA

- ✓ ➤ **SB 248 Salmon Product Development Tax Credit**
- **Presentation: AGIA Applicant A Energia**

*passed*  
*out of SRES*  
*2-15-08*

Teleconference

# **SB 248 Salmon Product Development Tax Credit**

**1. SB 248 vs/A**

**2. SB 248 Sponsor Statement**

**3. SB 248 Fiscal Note**

*— DOR Spread Sheet 2003-2006 Credits Allowed*

**4. SB248 Sect. Analysis**

**5. SB248 Support Letters**

**North Pacific Seafoods**

**Icicle**

**Peter Pan**

**SENATE BILL NO. 248**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY SENATORS HOFFMAN, Stedman, Stevens

Introduced: 1/25/08

Referred: Resources, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the salmon product development tax credit; providing for an  
2 effective date by amending an effective date in sec. 7, ch. 57, SLA 2003, as amended by  
3 sec. 4, ch. 3, SLA 2006; and providing for an effective date."

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

5 \* Section 1. AS 43.75.035(b) is amended to read:

6 (b) The amount of the tax credit applied against taxes under this section may  
7 not

8 (1) exceed 50 percent of the taxpayer's tax liability incurred under this  
9 chapter for processing of salmon during the tax year; or

10 (2) be claimed for property first placed into service after December 31,  
11 2011 [2008].

12 \* Sec. 2. AS 43.75.035 is amended by adding a new subsection to read:

13 (j) The department shall develop and implement procedures by which a  
14 taxpayer that is a fisheries business may submit the taxpayer's proposed investment to

Stevens supports  
K

1 the department and request a preliminary determination of whether the investment  
2 qualifies for the salmon product development tax credit under this section. A  
3 preliminary determination by the department that the taxpayer's submission qualifies  
4 for the credit is binding, unless the department determines that the taxpayer has made  
5 a material misrepresentation in the taxpayer's submission.

6 \* Sec. 3. Section 7, ch. 57, SLA 2003, as amended by sec. 4, ch. 3, SLA 2006, is amended  
7 to read:

8 Sec. 7. Section 3 of this Act takes effect on the earlier of the following:

- 9 (1) January 1, 2015 [2012]; or  
10 (2) the date of the attorney general's notification to the lieutenant  
11 governor and to the revisor of statutes that

12 (A) a court has entered final judgment that AS 43.75.035 or  
13 43.75.036, added by sec. 1, ch. 57, SLA 2003 [OF THIS ACT], violates the  
14 commerce clause contained in art. I, sec. 8, United States Constitution; and

15 (B) the time for an appeal of that judgment has expired, or, if  
16 an appeal was taken, a final order on the appeal has been entered that  
17 AS 43.75.035 or 43.75.036, added by sec. 1, ch. 57, SLA 2003 [OF THIS  
18 ACT], violates the commerce clause contained in the United States  
19 Constitution.

20 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).



# Senator Lyman F. Hoffman

Senate Finance Committee - Co Chair

Alaska State Legislature • State Capital • Juneau, AK 99801-1182  
Toll Free 1-866-465-4453 • (907) 465-4453 • Fax (907) 465-4523

## SPONSOR STATEMENT

### SB 248

#### SALMON PRODUCT DEVELOPMENT TAX CREDIT

### Senator Hoffman

The Salmon Product Development Tax Credit encourages and accelerates the development and production of value-added salmon products in Alaska by providing an economic incentive to make the necessary investments in new technology and equipment. Managed by the Department of Revenue, the credit allows applicants to claim up to 50% of the value of eligible equipment on their annual Fisheries Business Tax (FBT) returns. The FBT is a tax on the ex-vessel value of fisheries resources landed in Alaska.

This credit program was a key recommendation of the Joint Legislative Salmon Industry Task Force, and was first enacted in 2003. Since then it has stimulated some important changes in Alaska's industry. New processing equipment eligible for the tax credit enables businesses to offer a more diverse complement of Alaska salmon products which helps increase overall customer acceptance. Modern equipment also helps increase efficiency of processing operations and improves throughput, meaning that quality is improved by handling fish while they are still in fresh condition. This tax credit also encourages in-state processing of our salmon which is critical to job creation and retention in fishing communities.

Although Alaska's salmon industry is beginning to recover from years of low values caused by factors such as competition from fish farming, the industry continues to be challenged by changes in the marketplace and increasing labor and energy costs. Extending the tax credit beyond its current sunset date of Dec. 31, 2008 will allow the industry to continue the progress that is being made in developing and producing salmon products that will keep Alaska's fisheries competitive in world markets. This program is a wise investment in maximizing the long-term value and benefits of our fishery resources for the good of all. The state should continue to support one of our most important basic industries by extending the Salmon Product Development Tax Credit through passage of SB 248.

Interim: PO Box 886 • Bethel, Alaska 99559 • (907) 543-3541  
Email: Senator\_Lyman\_Hoffman@legis.state.ak.us  
www.senatorhoffman.com

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- Bethel
- Chenaik
- Chernofski
- Chignik
- Chignik Lagoon
- Chignik Lake
- Clark Point
- Cold Bay
- Dillingham
- Dutch Harbor
- Eek
- Egegik
- Ekuk
- Ekwoi
- False Pass
- Goodnews Bay
- Ivanof Bay
- Kasiglik
- King Cove
- King Salmon
- Kiprus
- Koliganek
- Kongiganak
- Kwethluk
- Kwigillingok
- Lower Kalskag
- Manokotak
- Mekoryuk
- Naknek
- Napaklak
- Napavikak
- Nelson Lagoon
- New Seayahok
- Newtok
- Nightmute
- Nikolski
- Nunapitnak
- Oscarville
- Perryville
- Pilot Point
- Platinum
- Pori Heiden
- Portage Creek
- Quinhagak
- Saint George Island
- Saint Paul Island
- Sand Point
- Shemya Station
- South Naknek
- Togiak
- Toksook Bay
- Tuluksak
- Tuntutuliak
- Tununak
- Twin Hills
- Ugashik
- Unalaska
- Unga
- Upper Kalskag

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 248  
 ( ) Publish Date: \_\_\_\_\_

Identifier (file name): SB248-DOR-TAX-1-30-08 Dept. Affected: Revenue 04  
 Title Salmon Product Development Tax Credit RDU Taxation and Treasury  
 Component Taxation and Treasury  
 Sponsor Senators Hoffman, Stedman, Stevens  
 Requester (S) Resources Component Number 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	Appropriation Required	Information					
	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous	1.5	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>7.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(2,000.0)</b>	<b>(2,000.0)</b>	<b>(2,000.0)</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	7.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>7.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: 0.0

**POSITIONS**

Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

See Attached.

Prepared by: Tim Cottogim, Audit Supervisor and Dan Stuckel, Economist  
 Division: Tax  
 Approved by: Jerry Burnett  
Department of Revenue

Phone (907) 465-3695  
 Date/Time 1/30/08 12:00 AM  
 Date 1/30/2008

**FISCAL NOTE**

**STATE OF ALASKA  
2008 LEGISLATIVE SESSION**

**BILL NO. SB 248**

**ANALYSIS CONTINUATION**

**Bill Language:**

This bill extends the existing Salmon Product Development tax credit for investment in processing equipment used to produce value-added salmon products by three years through 2011. The Salmon Product Development tax credit allows taxpayers to take a credit against their Fisheries Business Tax liability for 50% of qualified investment in new value-added salmon processing equipment. Credits may be applied against up to 50% of the Fisheries Business Tax liability on salmon processed in Alaska in the year generated and the three subsequent years.

This bill also adds a new provision that allows a taxpayer to request a preliminary determination of whether an investment qualifies for the Salmon Product Development tax credit.

**Revenues:**

Based on preliminary FY 2005 audit results, a total of about \$2.1 million in Salmon Product Development tax credits were allowed for the fiscal year. We believe this credit will continue to attract a high level of interest. We project investments will generate about \$2.0 million of allowed tax credits in each of the three tax years 2009-2011. We project that the credits arising under this bill will be used against Fisheries Business Tax liabilities for 2011-2013 to reduce receipts during FY 2012 - FY 2014. Fisheries Business Tax revenue to the state is therefore expected to be reduced by 2.0 million in FY 2012, FY 2013 and FY 2014. Credits only reduce Fisheries Business Tax revenue to the state, and do not impact revenue shared with municipalities.

**Expenditures:**

Since the Salmon Product Development tax credit is already in place, there will be no new expense to extend the sunset date of the credit. However the new provision allowing a taxpayer to request a preliminary determination of whether an investment qualifies for the credit will require additional expenditures. Specifically, the Department of Revenue will need to develop new regulations for the predetermination process. Incremental costs to develop regulations will be \$7,000 in FY 2009 for travel, supplies and venue fees related to regulation development. We anticipate that the predeterminations can be made using existing staff.

**Salmon Product Development Tax Credits  
Calendar Years 2003 - 2006**

<b>Year</b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>Number of Companies Claiming Credits</b>	16	28	24	29
<b>Total Development Expenditures <sup>1</sup></b>	<b><u>\$2,306,180</u></b>	<b><u>\$8,310,911</u></b>	<b><u>\$6,391,775</u></b>	<b><u>\$5,792,521</u></b>
<b>Product Development Credits Generated</b>	<b>\$1,153,090</b>	<b>\$4,155,456</b>	<b>\$3,195,888</b>	<b>\$2,896,261 <sup>a</sup></b>
<b>Credits Denied at Audit <sup>2</sup></b>	<b><u>(\$667,565)</u></b>	<b><u>(\$2,545,822)</u></b>	<b><u>(\$1,092,639)</u></b>	<b><u>(\$25,082)</u></b>
<b>Credits Allowed</b>	<b><u>\$485,525</u></b>	<b><u>\$1,609,634</u></b>	<b><u>\$2,103,249</u></b>	<b><u>\$2,871,179</u></b>

<sup>1</sup> See Attachment 1 for a list of expenditure categories claimed

<sup>2</sup> See Attachment 2 for a list of reasons why credits were denied

<sup>a</sup> The majority of these credits have not as yet been audited

Prepared by Tax Division  
January 22, 2008  
by T. Cottongim

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3887 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

January 31, 2008

**SUBJECT:** Sectional summary of SB 248 (Work Order No. 25-LS1384\A)

**TO:** Senator Lyman Hoffman  
Attn: Tim Grussendorf

**FROM:** Brian J. Kane *BJK*  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1 of the bill extends the date by which property must be in place to be eligible for the tax credit from 2008 to 2011.

Section 2 of the bill adds a new subsection to AS 43.75.035 stating that a taxpayer in the fisheries business can submit a proposed investment to the Department of Revenue in order to get a preliminary determination of whether the investment will qualify for the tax credit. The preliminary decision by the department is binding if it determines the taxpayer's submission qualifies.

Section 3 of the bill extends the sunset date for AS 43.75.035 and 43.75.036 from 2012 to 2015.

Section 4 of the bill provides that the Act takes effect immediately.

If I may be of further assistance, please advise.

BJK:med  
08-071.med



4 Nickerson Street Seattle, WA 98109

Senate Resources Committee  
Alaska State Legislature  
Juneau, Alaska 99801

January 25, 2008

RE: SB248, Salmon Tax Credit

North Pacific Seafoods would like to express our support for the passage of SB 248, renewing the Salmon Product Development Tax Credit through the year 2011. The current bill has allowed the industry to keep pace on Alaska salmon products in the quickly changing domestic and world market. The extension of this bill to 2011 will continue the momentum and success Alaska salmon products are enjoyed in the global markets.

North Pacific Seafoods started in Alaska in the canned salmon processing business. Today we own and operate four (4) shore based seafood processing plants that the largest portion is salmon, though we also process crab, halibut, black cod, Pollock, Pacific cod, flat fish, rockfish and dive products. Our facilities are located in the coast areas of Sitka, Kodiak, Pederson Point and Togiak. With the changing market demands, North Pacific Seafoods has converted from salmon canning to 100% fresh and frozen processor of Alaska salmon and other seafood items.

North Pacific Seafoods continues to invest in our facilities each year. With the briskly increasing costs of energy, freight, labor and insurance, an increasing amount of our capital improvement funds have been diverted to address these issues that would normally be invested into product improvements. We have been utilizing the Salmon Tax Credit each year to improve our product development in salmon fillets and salmon ikura. We plan to continue to invest in salmon product development and the Salmon Tax Credit will allow us to invest at an accelerated level as long as this program continues.

We thank you for the continued support through the passage of the extension to the Salmon Product Development Tax Credit program.

Sincerely,

Robert D. Nickinovich  
President



# ICICLE

✓ Included in  
digital packet  
SGL

January 29, 2008

Senator Charlie Huggins  
Chair, Senate Resources Committee  
Alaska State Legislature  
Juneau, Alaska 99801

RE: SB 248 An act to extend the salmon product development tax credit

Dear Chairman Huggins and Committee Members,

I wish to express our support for SB 248, an act that would extend the salmon product development tax credit program through the year 2011.

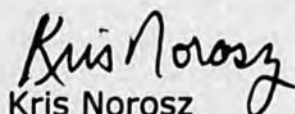
The tax credit program has served as a catalyst for modernizing and retooling processing equipment to make the Alaska salmon industry more competitive in the world market place. We have utilized this program on a number of occasions to purchase equipment to further diversify our product line and improve quality. This has resulted in higher customer acceptance and products with a longer shelf life.

It has been our practice to contact the Dept. of Revenue before embarking on projects that we intend to use the salmon tax credit on for their opinion as to whether or not the project would qualify. We have found this to be helpful. Therefore, we can support the addition of the language in Section 2 allowing for a preliminary determination by the Dept. of Revenue regarding the qualification of a project for the tax credit.

The salmon product development tax credit program is beneficial and can provide the incentive to make needed capital improvements a rational choice during economically challenging times.

Your support of SB 248 would be very much appreciated.

Sincerely,  
ICICLE SEAFOODS, INC.

  
Kris Norosz

Government Affairs

**PETERSBURG FISHERIES**

A DIVISION OF ICICLE SEAFOODS, INC.

P.O. Box 1147 • Petersburg, AK 99833 • Tel: 907-772-4294 • Fax: 907-772-4472

✓ included

FEB 01 2008



January 28, 2003

THE TENTH FLOOR  
2200 SIXTH AVENUE  
SEATTLE, WA 98121-1820  
206.728.6000  
OPERATION FAX 206.441.9090  
SALES FAX 206.728.1855

Senator Charlie Huggins, Chairman  
Senate Resources Committee  
Alaska Legislature, State Capitol  
Juneau, Alaska 99801

Dear Chairman Huggins:

It is my pleasure to introduce Peter Pan Seafoods, Inc. We were incorporated in 1950 as the successor to P.E. Harris Co., which began canning salmon in Alaska in 1912. Peter Pan Seafoods processes and sells various types of Alaskan seafood products. All of our raw seafood is purchased from independent fishermen participating in fisheries throughout Alaska. Our production facilities include: King Cove, Port Moller, Dillingham, and Valdez. Salmon products account for the largest portion of our sales; other major product lines include crab, halibut, cod, Pollock and black cod. Our products are sold primarily to wholesalers and distributors throughout the world.

Peter Pan Seafoods would like to thank Senators Hoffman, Stedman and Stevens for introducing **SB248, the Salmon Tax Credit Bill** and request that the Senate Resources Committee hear and pass **SB248, the Salmon Tax Credit Bill**. This bill simply extends for 3 more years an existing program that is proving very successful for the Alaskan salmon industry. We hope to continue the momentum and progress this program has afforded us in keeping our Alaskan salmon products competitive in the domestic and world markets.

We have been able to utilize the salmon tax credit at each of our Alaska production facilities. Both King Cove and Dillingham have added value added salmon fillet and ikura roe lines. In Port Moller, we expanded our value added salmon fillet operation; and in Valdez we added value added salmon fillet production, skinless boneless canned salmon and ikura roe. The progress we have achieved by adding and developing the value added salmon products in such a relatively short time is due to the Salmon Tax Credit.

The ever increasing costs of energy, labor, packaging and insurance are diverting the funds that could otherwise be invested into these sorts of improvements. It is imperative to our industry and Peter Pan Seafoods in particular that the salmon tax credit continue for another 3 years. There is more to be achieved in the development of the salmon value added program to ensure Alaska salmon products keep pace with evolving world markets. We urge the committee to take quick action in support of **SB248, the Salmon Tax Credit**.

Thank you and the Committee for your timely consideration of this issue.

Respectfully,

Barry D. Collier  
President and CEO  
Peter Pan Seafoods, Inc.

cc: **Senator Lyman F. Hoffman**  
**Senate Resources Committee**  
**State Capitol**  
**Juneau, AK 99801**

**Senator Bert Stedman**  
**Senate Resources Committee**  
**State Capitol**  
**Juneau, AK 99801**

**Senator Gary Stevens**  
**Senate Resources Committee**  
**State Capitol**  
**Juneau, AK 99801**

**Sharon Long**

---

**From:** Tim Grussendorf  
**Sent:** Friday, February 08, 2008 2:14 PM  
**To:** Sharon Long  
**Subject:** sponsor statement sb 248  
**Follow Up Flag:** Follow up  
**Flag Status:** Red  
**Attachments:** img-2081408-0001.pdf

SB 248

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**Mary McDowell will be there to testify on behalf of the Pacific Seafood Processors Assoc.**

And Tim Cottongim from the Dept. of Revenue Tax division will be there for questions if necessary.

Thanks

TG

**SB**

**251**

SENATE COMMITTEE REPORT  
First Committee of Referral

DATE: 1/28/08

FURTHER:

Rules

Date of 5-Day Notice: 2/7/08  
(In accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/14/08

Resources Committee considered SENATE BILL NO. 251

SB 251 VESSEL PERMIT SYSTEM

"An Act repealing the termination date of the vessel permit system for the Bering Sea hair crab fishery and the weathervane scallop fishery; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS SB 251 (RES)
- adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
<b>HOUSE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

ETG	2/4/08				✓

**PREVIOUS FISCAL NOTE(S):**


APPROPRIATION - no fiscal note

<i>[Signature]</i>	Green			✓
<i>[Signature]</i>	McLure			✓
<i>[Signature]</i>	Stevens	✓		✓
<i>[Signature]</i>	Wasson			✓
<i>[Signature]</i>	Wielochowski			✓
<i>[Signature]</i>	Stedman			✓
CHAIR: <i>[Signature]</i>	<i>[Signature]</i>			

# ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON



ALASKA  
STATE CAPITOL  
ROOM 514  
JUNEAU, ALASKA 99801-1182

(907) 465-3707  
FAX (907) 465-4821

## MEMO

Jan 30, 2008

### MEMORANDUM

To: Senator Huggins, Chair  
Senate Resources Committee

From: Senator Olson

A handwritten signature in black ink, appearing to be "D. Olson", written over the name "Senator Olson".

Re: Request for a committee hearing for SB 251, Vessel Permit System.

I would appreciate the scheduling of a Senate Resources Committee hearing of SB 251 at your earliest convenience. Attached is a sponsor statement and support documentation. If you need additional information, please contact me or Dave Gray in my office.

Thank you for your attention to this request.

# ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair  
Sen. Bert Stedman, Vice Chair  
Sen. Lyda Green  
Sen. Gary Stevens  
Sen. Lesil McGuire  
Sen. Bill Wielechowski  
Sen. Thomas Wagoner



State Capitol, Room 119  
Juneau AK 99801-1182  
907-465-3878  
Fax: 907-465-3265  
800-862-3878

**Senate Resources Committee**  
Butrovich Room 205  
**Wednesday, February 13, 2008**  
3:30-5:30 p.m.

## AGENDA

- **SB 251 Vessel Permit System**
  
- **SB 246 Susitna Hydro Working Group; Report**
  
- **SB 248 Salmon Product Development Tax Credit**
  
- **BPH/s**

Teleconference

25-LS1386E  
Kane  
2/5/08

**CS FOR SENATE BILL NO. 251( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATORS OLSON, Hoffman, Stedman, Elton**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act providing for an effective date by delaying the effective date of repeal of the**  
2 **authority of the Commercial Fisheries Entry Commission to maintain the vessel-based**  
3 **commercial fisheries limited entry systems for the Bering Sea Korean hair crab and**  
4 **weathervane scallop fisheries, and the effective date of conforming amendments related**  
5 **to the repeal of those systems."**

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

7 **\* Section 1. Section 28, ch. 137, SLA 2002, is amended to read:**

8 **Sec. 28. Sections 5, 10, 12, 14, 16, 18, 21, 23, and 27 of this Act take effect**  
9 **December 30, 2018 [2008].**

**CS FOR SENATE BILL NO. 251(RES)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE RESOURCES COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATORS OLSON, Hoffman, Stedman, Elton**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act providing for an effective date by delaying the effective date of repeal of the**  
2 **authority of the Commercial Fisheries Entry Commission to maintain the vessel-based**  
3 **commercial fisheries limited entry systems for the Bering Sea Korean hair crab and**  
4 **weathervane scallop fisheries, and the effective date of conforming amendments related**  
5 **to the repeal of those systems."**

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

7 **\* Section 1. Section 28, ch. 137, SLA 2002, is amended to read:**

8 **Sec. 28. Sections 5, 10, 12, 14, 16, 18, 21, 23, and 27 of this Act take effect**  
9 **December 30, 2018 [2008].**

**SENATE BILL NO. 251**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY SENATORS OLSON, Hoffman, Stedman, Elton**

**Introduced: 1/28/08**

**Referred: Resources**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act repealing the termination date of the vessel permit system for the Bering Sea**  
2 **hair crab fishery and the weathervane scallop fishery; and providing for an effective**  
3 **date."**

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

5 **\* Section 1.** Sections 5, 10, 12, 14, 16, 18, 2i, 23, 27, and 28, ch. 137, SLA 2002, are  
6 repealed.

7 **\* Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

**SB 251 Vessel Permit System for Bering Sea Hair Crab &  
Weathervane Scallop Fisheries**

**SB 251 vs /A & CS Workdraft vs/E**

- 1. Fiscal Note**
- 2. Sponsor Stmt**
- 3. Sectional**
- 4. SLA 2002**
- 5. Support Letters**
  - UFA**
  - Coastal villages**
  - Comm. Fish Entry Commission**

We'll need to  
move vs/E  
which has a  
10 yr. sunset —

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB251  
 () Publish Date: \_\_\_\_\_

Identifier (file name): SB 251 Dept. Affected: DFG  
 Title An act repealing the termination date of the vessel permit RDU Commercial Fisheries Entry Comm  
system for the Bering Sea hair crab fishery and the weathervane s Component Commercial Fisheries Entry Comm  
 Sponsor Senators Olson, Hoffman, Sledman, Elton  
 Requester Senator Olson Component Number 471

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>								
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: 0.0

**POSITIONS**

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**ANALYSIS:** (Attach a separate page if necessary)

No anticipated fiscal impact

Prepared by: Shirley A. Penrose, Administrative Officer Phone 907-79-8960  
 Division Commercial Fisheries Entry Commission Date/Time 2/4/08 7:55 AM  
 Approved by: Frank M. Homan, Chairman Date 2/4/2008  
Commercial Fisheries Entry Commission

# ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON



ALASKA  
STATE CAPITOL  
ROOM 514  
JUNEAU, ALASKA 99801-1182

(907) 465-3707  
FAX (907) 465-4821

## SPONSOR STATEMENT

### SB 251, Vessel Permit System

In 2002, the legislature created a vessel based permit system for the emerging hair crab fishery and scallop fishery in state waters. This new system of permitting was enacted to address resource conservation concerns because of unlimited fleet harvesting ability. Secondly, the new system provided the efficiencies of a unified management across state and federal water boundaries.

Unless action is taken this legislative session, the vessel permit system for hair crab and scallops will expire on December 30, 2008. SB 251 accomplishes the reauthorization by repealing the December sunset date established by section 28, ch. 137, SLA 2002 and the other sections cited. Without reauthorization these two fragile fisheries will revert to unlimited open access fisheries and create significant pressures on the resource as well as fishery management.

SB 251 is strongly supported by state and federal fishery managers to sustain the management and conservation values of the current system. It is also strongly supported by fishing organizations in my district and has statewide support by the United Fishermen of Alaska and other statewide fishing organizations.

# ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON



ALASKA  
STATE CAPITOL  
ROOM 514  
JUNEAU, ALASKA 99801-1182

(907) 465-3707  
FAX (907) 465-4821

## SB 251, Vessel Permit System

### SECTIONAL

Section 1 of SB 251 eliminates the December 30, 2008 sunset provisions attached to the vessel based limited entry permit system that was enacted for the hair crab and weathervane scallop fisheries in Ch 137, SLA 2002.

The sunset is achieved in a kind of left handed, reverse English manner. It can be understood in the main by viewing the relationship between sections 27 and 28 of chapter 137. Section 27 repeals the vessel permit statutes enacted in the section 2 provision. The repeal, however, is subject to the December 30, 2008 effective date in section 28.

The other sections of chapter 137 that are listed in the section 28 effective date conform other statutes to the vessel permit repeal of section 27. Accordingly, they are also listed in SB 251 to sustain the vessel permit system.

AN ACT

1 Relating to a vessel-based commercial fisheries limited entry system for the Bering Sea  
2 Korean hair crab fishery and for weathervane scallop fisheries, to management of offshore  
3 fisheries, and to the definition of "person" for purposes of the commercial fisheries entry  
4 program; and providing for an effective date.

5  
6 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
7 to read:

- 8 FINDINGS. The legislature finds that
- 9 (1) the conventional commercial fisheries limited entry system, which limits  
10 the entry of natural persons into a fishery, may not adequately protect the economic health  
11 and stability of certain fisheries in this state;
  - 12 (2) a system that limits the number of vessels that may engage in a fishery  
13 may be necessary to regulate certain fisheries in order to promote the conservation and  
14 sustained yield management of Alaska's fishery resource and the economic health and

1 stability of commercial fishing in this state;

2 (3) the existing moratorium on entry of new vessels into the Bering Sea  
3 Korean hair crab fishery (AS 16.43.901) expires on June 30, 2003, and the existing vessel  
4 moratorium for the weathervane scallop fisheries in state waters (AS 16.43.906) expires on  
5 June 30, 2004;

6 (4) a vessel-based limited entry system may be necessary to facilitate state  
7 management of fisheries that overlap with federally managed fisheries in the United States  
8 exclusive economic zone; and

9 (5) a vessel-based limited entry system may be necessary to achieve  
10 compatible state and federal management and enforcement of fisheries.

11 \* Sec. 2. AS 16.43 is amended by adding new sections to read:

12 **Article 6A. Vessel Permit System for Bering Sea Korean Hair Crab Fishery**  
13 **and Weathervane Scallop Fisheries.**

14 **Sec. 16.43.450. Vessel permit system.** (a) The commission may establish a  
15 vessel permit system under AS 16.43.450 - 16.43.520 for the Bering Sea Korean hair  
16 crab fishery or a weathervane scallop fishery if the commission determines that

17 (1) the regulation of entry into the fishery is necessary to achieve the  
18 purposes of this chapter;

19 (2) a vessel permit system would achieve the purposes of this chapter;  
20 and

21 (3) either  
22 (A) limiting the number of participants in the fishery under  
23 AS 16.43.140 - 16.43.330 would not achieve the purposes of this chapter; or  
24 (B) regulating the number of vessels in the fishery would  
25 enable the state to gain or retain management of the fishery.

26 (b) If the federal government has delegated management authority in the  
27 United States exclusive economic zone to the state for the Bering Sea Korean hair crab  
28 fishery or a weathervane scallop fishery, the commission may, to the extent consistent  
29 with this chapter, adopt regulations to ensure that the vessel permit system is  
30 consistent with applicable federal laws.

31 (c) If the commission establishes a vessel permit system for a fishery that

1 involves more than one fishery resource, type of gear, or administrative area, the  
2 commission may limit, as the commission determines appropriate, the fishery  
3 resources that may be harvested under the vessel permit, the types of gear that may be  
4 used under the vessel permit, or the areas where fishing may occur under the vessel  
5 permit. The commission shall adopt criteria, as appropriate, for determining

6 (1) how restrictions on fishery resources, types of gear, and areas  
7 fished are established for individual vessel interim-use permits and vessel entry  
8 permits; and

9 (2) how eligibility to take a particular fishery resource, to use a  
10 particular type of gear, or to fish in a particular area is established.

11 (d) The commission may, after consultation with the Department of Fish and  
12 Game, regulate the fishing capacity or effort authorized under a vessel interim-use  
13 permit or a vessel entry permit if the commission finds that limitations on fishing  
14 capacity or effort are necessary to achieve the purposes of this chapter. The  
15 commission shall adopt criteria, as appropriate, for measuring the fishing capacity or  
16 effort of a vessel and for determining how restrictions on vessel fishing capacity or  
17 effort are established for individual vessel interim-use permits and vessel entry  
18 permits. The criteria may be based on past participation.

19 (e) The commission shall adopt regulations limiting the number of vessel  
20 permits that may be held by a permit holder or group of related permit holders if the  
21 commission finds that limiting the number of vessel permits that may be held by a  
22 permit holder or group of related permit holders is necessary to prevent the excessive  
23 concentration of ownership of vessel permits in the fishery.

24 **Sec. 16.43.460. Initial issuance of vessel permits.** (a) For each fishery in  
25 which the commission establishes a vessel permit system under AS 16.43.450, the  
26 commission shall establish qualifications for vessel interim-use permits and vessel  
27 entry permits. The qualifications may include a qualification date, eligibility period,  
28 recent and past participation requirements, minimum requirements for the nature and  
29 degree of ownership interest that a permit holder must have in a vessel in order to  
30 receive a vessel permit for the vessel, and criteria for receiving transferable and  
31 nontransferable vessel entry permits. In adopting qualifications for transferable and

1 nontransferable vessel entry permits, the commission shall consider  
 2 (1) information provided by the Department of Fish and Game,  
 3 participants in the fishery, owners of vessels and gear used in the fishery, and other  
 4 interested parties.  
 5 (2) the level of recent and past participation and harvest in the fishery,  
 6 the nature of the fishery, and the need to ensure the manageability of the fishery and  
 7 conservation of the fishery resource.  
 8 (b) If the commission establishes a vessel permit system under AS 16.43.450  
 9 for a fishery that is, or recently was, subject to a moratorium on entry of new vessels  
 10 under AS 16.43.901 or 16.43.906, the commission shall incorporate some or all of the  
 11 vessel eligibility criteria established for the moratorium into the eligibility criteria for  
 12 vessel permits issued under the vessel permit system.  
 13 (c) Pending the issuance of vessel entry permits for a fishery for which the  
 14 commission has established a vessel permit system under AS 16.43.450, the  
 15 commission shall issue a vessel interim-use permit to the owner of each vessel that the  
 16 commission finds is potentially eligible to receive a vessel entry permit. A vessel  
 17 interim-use permit is renewable from year to year; however, a vessel interim-use  
 18 permit expires at the end of the period for which the permit was issued and may not be  
 19 renewed after a final determination by the commission that the vessel is or is not  
 20 eligible for a vessel entry permit.  
 21 (d) The commission shall issue vessel entry permits for a fishery, subject to  
 22 conditions established by the commission under AS 16.43.450 - 16.43.520, to the  
 23 owner of each vessel that the commission finds is eligible to receive a vessel entry  
 24 permit for that fishery.  
 25 (e) The commission shall adopt regulations regarding  
 26 (1) the determination of which person or entity is eligible to receive a  
 27 vessel interim-use permit or a vessel entry permit for a vessel in the event of  
 28 competing claims to ownership of the vessel;  
 29 (2) the substitution of another vessel by the applicant for a vessel  
 30 interim-use permit or a vessel entry permit if the vessel or vessels used to establish  
 31 eligibility for a vessel entry permit are lost, or are retired from the fishery by the vessel

1 owner, before the initial issuance of a vessel entry permit for the vessel.  
 2 **Sec. 16.43.470. Optimum number range of vessel permits.** (a) If, after the  
 3 initial issuance of vessel entry permits for a fishery, the commission determines that a  
 4 long-term biological or economic change has occurred in the fishery, the commission,  
 5 in consultation with the Department of Fish and Game, shall establish the optimum  
 6 number range of vessel entry permits for the fishery.  
 7 (b) In determining the optimum number range of vessel entry permits, the  
 8 commission shall seek to  
 9 (1) facilitate sound management of the fishery;  
 10 (2) promote  
 11 (A) the economic health and stability of the fishery;  
 12 (B) broad access to the fishery;  
 13 (C) conservation of the fish resources taken in the fishery;  
 14 (D) quality seafood products; and  
 15 (3) discourage waste of harvested fish.  
 16 (c) The commission may increase or decrease the optimum number range of  
 17 vessel entry permits for a fishery if the commission finds that an established long-term  
 18 change in the biological or economic condition of the fishery has occurred and that the  
 19 number of vessel entry permits that are necessary to achieve the goals set out in (b) of  
 20 this section has substantially changed.  
 21 (d) If the optimum number range of vessel entry permits is less than the  
 22 number of outstanding vessel permits for the fishery, the commission may adopt  
 23 regulations to allow the voluntary consolidation of vessel entry permits by permit  
 24 holders, including entities. The commission may investigate procedures to  
 25 permanently reduce the number of vessel permits issued for a fishery to within the  
 26 optimum number range.  
 27 (e) If the optimum number range of vessel entry permits is greater than the  
 28 number of permits authorized for the fishery, the commission shall issue additional  
 29 vessel entry permits until the number of vessel entry permits is consistent with the  
 30 optimum number range for the fishery. The commission shall obtain fair market value  
 31 for new vessel entry permits issued under this subsection. The commission shall

1 determine whether the additional vessel entry permits issued under this subsection are  
2 transferable or nontransferable.

3 **Sec. 16.43.490. Transfer and expiration of vessel entry permits.** (a) The  
4 commission may adopt regulations authorizing the transfer of a transferable vessel  
5 entry permit to an eligible transferee and establishing the terms and conditions under  
6 which vessel entry permits may be transferred. The commission may require that the  
7 transferee of a vessel entry permit must have a legal ownership interest in the vessel  
8 identified on the vessel entry permit. The commission may establish by regulation  
9 minimum requirements for the nature and degree of ownership interest that the  
10 transferee must have in the vessel.

11 (b) The commission may adopt regulations authorizing the simultaneous  
12 transfer of a transferable vessel entry permit to an eligible transferee and the  
13 substitution of another vessel for the vessel identified on the permit under  
14 AS 16.43.490

15 (c) The commission shall adopt regulations relating to the expiration of  
16 nontransferable vessel entry permits.

17 **Sec. 16.43.490. Substitution of vessels.** (a) The commission shall adopt  
18 regulations providing for the permanent or temporary substitution, after the initial  
19 issuance of vessel entry permits, of another vessel for the vessel that is identified on a  
20 vessel entry permit. The commission may specify by regulation the nature and degree  
21 of legal ownership interest that a permit holder must have in the vessel that is  
22 permanently or temporarily substituted for the vessel identified on the permit. Upon  
23 the approval of a permanent substitution of a vessel, the commission shall issue a new  
24 vessel entry permit for the substituted vessel.

25 (b) A substituted vessel and the operation of the substituted vessel are subject  
26 to all terms and conditions attached to the vessel entry permit at the time that the  
27 vessel permit is transferred from the original vessel to the substituted vessel.

28 **Sec. 16.43.500. Renewal of vessel permits.** (a) A vessel interim-use permit  
29 or vessel entry permit is issued for one year and must be renewed annually.

30 (b) A vessel interim-use permit or vessel entry permit may not be renewed  
31 until the fees for each preceding year during which the permit has not been renewed

1 are paid.

2 (c) Failure to renew a vessel entry permit for two consecutive years from the  
3 year of last renewal results in a forfeiture of the permit unless the forfeiture is waived  
4 by the commission for good cause. If an administrative closure of a fishery occurs for  
5 an entire season, the commission may not count the season toward the two-year  
6 period.

7 **Sec. 16.43.510. Vessel permit fees.** (a) The commission shall establish fees  
8 for the issuance and annual renewal of vessel interim-use permits and vessel entry  
9 permits. Annual fees established under this subsection may not exceed \$2,500 and  
10 shall reasonably reflect the rate of economic return for the fishery.

11 (b) The commission shall waive the payment of the annual fees for a vessel  
12 interim-use permit or a vessel entry permit for a fishery in which there was an  
13 administrative closure for the entire season.

14 (c) Subject to AS 37.10.050(a), the commission may establish fees for  
15 processing applications for vessel interim-use permits and vessel entry permits, for  
16 transfer of vessel entry permits, and for permanent and temporary substitution of  
17 vessels.

18 (d) The commission may charge interest at a rate not to exceed the legal rate  
19 of interest established in AS 45.45.010 on fees established under the section that are  
20 more than 60 days overdue.

21 **Sec. 16.43.520. General vessel permit provisions.** (a) A person or entity  
22 may not operate a vessel or use a vessel to take fish in a commercial fishery for which  
23 a vessel interim-use permit or vessel entry permit is required unless the appropriate  
24 vessel permit has been issued for the vessel and is posted in a prominent location on  
25 the vessel.

26 (b) A person or entity may not hold more than one vessel entry permit for a  
27 fishery unless

28 (1) the number of vessel entry permits held by the person or entity is  
29 consistent with regulations of the commission regarding concentration of ownership of  
30 vessel permits in the fishery; and

31 (2) either

1 (A) the person or entity qualified for each vessel entry permit at  
 2 the time of the initial issuance of vessel entry permits for the fishery; or  
 3 (B) the vessel entry permits are issued for a vessel for which  
 4 the person or entity already holds another vessel entry permit for that fishery.  
 5 (c) The operator of a vessel for which a vessel interim-use permit or vessel  
 6 entry permit has been issued shall comply with the terms of the vessel permit while the  
 7 vessel is operated in the fishery for which the permit is issued.  
 8 (d) A vessel interim-use permit and a vessel entry permit constitute a use  
 9 privilege that may be modified or revoked by order of the commission or by law  
 10 without compensation.  
 11 (e) A vessel entry permit may not be  
 12 (1) pledged, mortgaged, leased, or encumbered in any way;  
 13 (2) transferred with any retained right of repossession or foreclosure,  
 14 or on any condition requiring a subsequent transfer; or  
 15 (3) attached, distrained, or sold on execution of judgment or under any  
 16 other process or order of any court.  
 17 (f) Unless the person who holds a vessel entry permit has expressed a contrary  
 18 intent in a will that is probated, the commission shall, upon the death of the person,  
 19 transfer the vessel entry permit by right of survivorship directly to the person's  
 20 surviving spouse or, if no spouse survives, to another person designated by the vessel  
 21 permit holder on a form provided by the commission. If no spouse survives and if the  
 22 person designated on the form, if any, does not survive, the permit passes as part of the  
 23 vessel permit holder's estate. A designation under this subsection must be  
 24 acknowledged before a person authorized to administer an oath under AS 09.63.010 or  
 25 must be witnessed by two persons who are qualified under AS 13.12.505 to witness  
 26 the will of the vessel permit holder. A vessel entry permit is exempt from the claims of  
 27 creditors of the estate.  
 28 (g) AS 16.43.450 - 16.43.520 do not alter the requirement for an interim-use  
 29 permit or entry permit under AS 16.43.140 or a vessel license under AS 16.05.450 -  
 30 16.05.520.  
 31 (h) Nothing in AS 16.43.450 - 16.43.520 limits the powers of the Board of

1 Fisheries or the Department of Fish and Game.  
 2 (i) Notwithstanding AS 16.05.815 and AS 16.43.975, the commission may  
 3 release to the owner of a vessel information on the vessel's history of harvests in a  
 4 fishery that is necessary to apply for a vessel interim-use permit or vessel entry permit  
 5 under AS 16.43.450 - 16.43.520.  
 6 \* Sec. 3. AS 16.05.735 is amended to read:  
 7 Sec. 16.05.735. Management of offshore fisheries. The state may assume  
 8 management of a fishery [THE SCALLOP FISHERIES] in offshore water adjacent to  
 9 the state in the absence of a federal fishery management plan for the fishery  
 10 [SCALLOPS] or in the event that a federal fishery management plan for the fishery  
 11 [SCALLOPS] delegates authority to the state to manage the fishery [SCALLOP  
 12 FISHERIES] in the United States exclusive economic zone.  
 13 \* Sec. 4. AS 16.43.010(a) is amended to read:  
 14 (a) It is the purpose of this chapter to promote the conservation and the  
 15 sustained yield management of Alaska's fishery resource and the economic health and  
 16 stability of commercial fishing in Alaska by regulating and controlling entry of  
 17 participants and vessels into the commercial fisheries in the public interest and  
 18 without unjust discrimination.  
 19 \* Sec. 5. AS 16.43.010(a) is amended to read:  
 20 (a) It is the purpose of this chapter to promote the conservation and the  
 21 sustained yield management of Alaska's fishery resource and the economic health and  
 22 stability of commercial fishing in Alaska by regulating and controlling entry of  
 23 participants [AND VESSELS] into the commercial fisheries in the public interest and  
 24 without unjust discrimination.  
 25 \* Sec. 6. AS 16.43.100(a) is amended to read:  
 26 (a) To accomplish the purposes set out in AS 16.43.010, the commission shall  
 27 (1) regulate entry into the commercial fisheries for all fishery resources  
 28 in the state;  
 29 (2) establish priorities for the application of the provisions of this  
 30 chapter to the various commercial fisheries of the state;  
 31 (3) establish administrative areas suitable for regulating and

- 1 controlling entry into the commercial fisheries;
- 2 (4) establish, for all types of gear, the maximum number of entry
- 3 permits for each administrative area;
- 4 (5) designate, when necessary to accomplish the purposes of this
- 5 chapter, particular species for which separate interim-use permits or entry permits will
- 6 be issued;
- 7 (6) establish qualifications for the issuance of entry permits;
- 8 (7) issue entry permits to qualified applicants;
- 9 (8) issue interim-use permits as provided in AS 16.43.210, 16.43.220,
- 10 and 16.43.225;
- 11 (9) establish, for all types of gear, the optimum number of entry
- 12 permits for each administrative area;
- 13 (10) administer the buy-back program provided for in AS 16.43.310
- 14 and 16.43.320 reduce the number of outstanding entry permits to the optimum
- 15 number of entry permits;
- 16 (11) provide for the transfer and reissuance of entry permits to
- 17 qualified transferees;
- 18 (12) provide for the transfer and reissuance of entry permits for
- 19 alternative types of legal gear, in a manner consistent with the purposes of this
- 20 chapter;
- 21 (13) establish and administer the collection of the annual fees provided
- 22 for in AS 16.43.160;
- 23 (14) administer the issuance of commercial fishing vessel licenses
- 24 under AS 16.05.490;
- 25 (15) issue educational entry permits to applicants who qualify under
- 26 the provisions of AS 16.43.340 - 16.43.390;
- 27 (16) establish reasonable user fees for services;
- 28 (17) issue landing permits under AS 16.05.675 and regulations adopted
- 29 under that section;
- 30 (18) establish and collect annual fees for the issuance of landing
- 31 permits that reasonably reflect the costs incurred in the administration and

- 1 enforcement of provisions of law related to landing permits; [AND]
- 2 (19) establish a moratorium on entry into commercial fisheries as
- 3 provided in AS 16.43.225; and
- 4 (20) administer, when necessary to accomplish the purposes of this
- 5 chapter, a vessel permit system under AS 16.43.450 - 16.43.520.
- 6 \* Sec. 7. AS 16.43.240(b) is amended to read:
- 7 (b) When the commission finds that a fishery, not designated as a distressed
- 8 fishery under AS 16.43.230 or not subject to a moratorium under AS 16.43.225, has
- 9 reached levels of participation that require the limitation of entry under AS 16.43.140
- 10 - 16.43.330 in order to achieve the purposes of this chapter, the commission shall
- 11 establish the maximum number of entry permits for that fishery.
- 12 \* Sec. 8. AS 16.43.240(c) is amended to read:
- 13 (c) When the commission finds that a fishery subject to a moratorium under
- 14 AS 16.43.225 has reached levels of participation that require the limitation of entry
- 15 under AS 16.43.140 - 16.43.330 in order to achieve the purposes of this chapter, the
- 16 commission shall establish the maximum number of entry permits for that fishery.
- 17 \* Sec. 9. AS 16.43.960(a) is amended to read:
- 18 (a) The commission may revoke, suspend, or transfer all entry or interim-use
- 19 permits, vessel entry permits, or vessel interim-use permits held by a person or
- 20 entity who knowingly provides or assists in providing false information, or fails to
- 21 correct false information provided to the commission for the purpose of obtaining a
- 22 benefit for self or another, including the issuance, renewal, duplication, or transfer of
- 23 an entry or interim-use permit, [OR] vessel license, vessel entry permit, or vessel
- 24 interim-use permit. The commission may suspend, as appropriate, that person's or
- 25 entity's eligibility to hold an entry or interim-use permit, vessel entry permit, or
- 26 vessel interim-use permit for a period not to exceed three years, and may impose an
- 27 administrative fine of not more than \$5,000 on the person or [ THE COMMISSION
- 28 MAY ALSO IMPOSE AN ADMINISTRATIVE FINE OF NOT MORE THAN
- 29 \$5,000 ON AN] entity whose officers, employees, representatives, or agents
- 30 knowingly provide or assist in providing false information, or fail to correct false
- 31 information provided, to the commission for the purpose of obtaining a benefit.

1 \* Sec. 10. AS 16.43.960(a) is amended to read:

2 (a) The commission may revoke, suspend, or transfer all entry or interim-use  
3 permits [, VESSEL ENTRY PERMITS, OR VESSEL INTERIM-USE PERMITS]  
4 held by a person [OR ENTITY] who knowingly provides or assists in providing false  
5 information, or fails to correct false information provided to the commission for the  
6 purpose of obtaining a benefit for self or another, including the issuance, renewal,  
7 duplication, or transfer of an entry or interim-use permit or [,] vessel license [,  
8 VESSEL ENTRY PERMIT, OR VESSEL INTERIM-USE PERMIT]. The  
9 commission may suspend, as appropriate, that person's [OR ENTITY'S] eligibility to  
10 hold an entry or interim-use permit [, VESSEL ENTRY PERMIT, OR VESSEL  
11 INTERIM-USE PERMIT] for a period not to exceed three years, and may impose an  
12 administrative fine of not more than \$5,000 on the person. The commission may also  
13 impose an administrative fine of not more than \$5,000 on an [OR] entity whose  
14 officers, employees, representatives, or agents knowingly provide or assist in  
15 providing false information, or fail to correct false information provided, to the  
16 commission for the purpose of obtaining a benefit.

17 \* Sec. 11. AS 16.43.970(a) is amended to read:

18 (a) A person who violates a provision of this chapter or a regulation adopted  
19 under this chapter or an entity that violates a provision of AS 16.43.450 - 16.43.520  
20 or a regulation adopted under AS 16.43.450 - 16.43.520 is, upon conviction, guilty  
21 of a class B misdemeanor and is punishable by a fine of not more than \$5,000 for a  
22 first conviction, and a fine of not more than \$10,000 for a second or third conviction.  
23 Upon a first or second conviction under this subsection, the court may in its discretion  
24 also order the commission to suspend the commercial fishing privileges of the person  
25 or entity for a period of not more than three years and to revoke one or more or all  
26 commercial fishing permits held by the person or entity. Upon a third or subsequent  
27 conviction under this subsection, the person or entity is also subject to a loss of  
28 commercial fishing privileges as provided under (i) of this section. This subsection  
29 does not apply to violations of AS 16.43.140(a).

30 \* Sec. 12. AS 16.43.970(a) is amended to read:

31 (a) A person who violates a provision of this chapter or a regulation adopted

1 under this chapter [OR AN ENTITY THAT VIOLATES A PROVISION OF  
2 AS 16.43.450 - 16.43.520 OR A REGULATION ADOPTED UNDER AS 16.43.450 -  
3 16.43.520] is, upon conviction, guilty of a class B misdemeanor and is punishable by a  
4 fine of not more than \$5,000 for a first conviction, and a fine of not more than \$10,000  
5 for a second or third conviction. Upon a first or second conviction under this  
6 subsection, the court may in its discretion also order the commission to suspend the  
7 commercial fishing privileges of the person [OR ENTITY] for a period of not more  
8 than three years and to revoke one or more or all commercial fishing permits held by  
9 the person [OR ENTITY]. Upon a third or subsequent conviction under this  
10 subsection, the person [OR ENTITY] is also subject to a loss of commercial fishing  
11 privileges as provided under (i) of this section. This subsection does not apply to  
12 violations of AS 16.43.140(a).

13 \* Sec. 13. AS 16.43.970(b) is amended to read:

14 (b) A person or entity who knowingly makes a false statement to the  
15 commission for the purpose of obtaining a benefit, including the issuance, renewal,  
16 duplication, or transfer of an entry or interim-use permit, [OR] vessel license, vessel  
17 interim-use permit, or vessel entry permit, or a person who assists another by  
18 knowingly making a false statement to the commission for the purpose of obtaining a  
19 benefit for another, is guilty of the crime of unsworn falsification as set out in  
20 AS 11.56.210. Upon conviction, the person or entity is also subject to suspension of  
21 commercial fishing privileges and revocation of commercial fishing permits under (i)  
22 of this section.

23 \* Sec. 14. AS 16.43.970(b) is amended to read:

24 (i) A person [OR ENTITY] who knowingly makes a false statement to the  
25 commission for the purpose of obtaining a benefit, including the issuance, renewal,  
26 duplication, or transfer of an entry or interim-use permit or [,] vessel license [,  
27 VESSEL INTERIM-USE PERMIT, OR VESSEL ENTRY PERMIT,] or a person who  
28 assists another by knowingly making a false statement to the commission for the  
29 purpose of obtaining a benefit for another, is guilty of the crime of unsworn  
30 falsification as set out in AS 11.56.210. Upon conviction, the person [OR ENTITY] is  
31 also subject to suspension of commercial fishing privileges and revocation of

1 commercial fishing permits under (i) of this section.

2 \* Sec. 15. AS 16.43.970(d) is amended to read:

3 (d) If a permit holder is charged by the state with violating a provision of this  
4 chapter or a regulation adopted under this chapter, the holder may not transfer [,  
5 UNDER AS 16.43.170,] any interim-use or entry permit under AS 16.43.170 or any  
6 transferable vessel entry permit under AS 16.43.450 - 16.43.520 [.] until after the  
7 final adjudication or dismissal of the charges.

8 \* Sec. 16. AS 16.43.970(d) is amended to read:

9 (d) If a permit holder is charged by the state with violating a provision of this  
10 chapter or a regulation adopted under this chapter, the holder may not transfer any  
11 interim-use or entry permit under AS 16.43.170 [OR ANY TRANSFERABLE  
12 VESSEL ENTRY PERMIT UNDER AS 16.43.450 - 16.43.520] until after the final  
13 adjudication or dismissal of the charges.

14 \* Sec. 17. AS 16.43.970(e) is amended to read:

15 (e) Notwithstanding any other provision of this section, an interim-use or entry  
16 permit or transferable vessel entry permit may not be transferred while under  
17 suspension, without the consent of the commission.

18 \* Sec. 18. AS 16.43.970(e) is amended to read:

19 (e) Notwithstanding any other provision of this section, an interim-use or entry  
20 permit [OR TRANSFERABLE VESSEL ENTRY PERMIT] may not be transferred  
21 while under suspension, without the consent of the commission.

22 \* Sec. 19. AS 16.43.970(f) is amended to read:

23 (f) A commercial fishing entry permit revoked under this section that is  
24 pledged as security for a loan under AS 16.10.333, or 16.10.338, or AS 44.81.231  
25 shall be reassigned as provided in AS 16.10.337 or AS 44.81.250.

26 \* Sec. 20. AS 16.43.970(i) is amended to read:

27 (i) Upon the conviction of a person or entity for an offense described under  
28 (a), (b), or (g) of this section, the court shall immediately notify the commission of the  
29 conviction. The notice provided by the court shall be accompanied by an order  
30 suspending commercial fishing privileges and revoking commercial fishing permits  
31 under (a) of this section, as appropriate. The commission shall, upon receipt of

1 (1) an order from the court under (a) of this section, suspend the  
2 commercial fishing privileges of a person or entity for the period set by the court and  
3 revoke commercial fishing permits held by the person or entity as directed by the  
4 court,

5 (2) a notice from the court that a person or entity has been convicted  
6 of a third or subsequent violation of (a) of this section, suspend all commercial fishing  
7 privileges of the person or entity for a period of three years from the date of  
8 conviction and revoke all commercial fishing permits held by the person or entity;

9 (3) a notice from the court that a person or entity has been convicted  
10 of a violation described under (b) of this section, suspend all commercial fishing  
11 privileges of the person or entity for a period of three years from the date of  
12 conviction and revoke all commercial fishing permits held by the person or entity;

13 (4) a notice from the court that a person has been convicted of a  
14 violation described under (g)(1) of this section, suspend all commercial fishing  
15 privileges of the person for a period of one year from the date of conviction;

16 (5) a notice from the court that a person has been convicted of a  
17 violation described under (g)(2) of this section, suspend all commercial fishing  
18 privileges of the person for a period of two years from the date of conviction;

19 (6) a notice from the court that a person has been convicted of a  
20 violation described under (g)(3) of this section, suspend all commercial fishing  
21 privileges of the person for a period of five years from the date of conviction.

22 \* Sec. 21. AS 16.43.970(i) is amended to read:

23 (i) Upon the conviction of a person [OR ENTITY] for an offense described  
24 under (a), (b), or (g) of this section, the court shall immediately notify the commission  
25 of the conviction. The notice provided by the court shall be accompanied by an order  
26 suspending commercial fishing privileges and revoking commercial fishing permits  
27 under (a) of this section, as appropriate. The commission shall, upon receipt of

28 (1) an order from the court under (a) of this section, suspend the  
29 commercial fishing privileges of a person [OR ENTITY] for the period set by the  
30 court and revoke commercial fishing permits held by the person [OR ENTITY] as  
31 directed by the court;

1 (2) a notice from the court that a person [OR ENTITY] has been  
2 convicted of a third or subsequent violation of (a) of this section, suspend all  
3 commercial fishing privileges of the person [OR ENTITY] for a period of three years  
4 from the date of conviction and revoke all commercial fishing permits held by the  
5 person [OR ENTITY];

6 (3) a notice from the court that a person [OR ENTITY] has been  
7 convicted of a violation described under (b) of this section, suspend all commercial  
8 fishing privileges of the person [OR ENTITY] for a period of three years from the date  
9 of conviction and revoke all commercial fishing permits held by the person [OR  
10 ENTITY];

11 (4) a notice from the court that a person has been convicted of a  
12 violation described under (g)(1) of this section, suspend all commercial fishing  
13 privileges of the person for a period of one year from the date of conviction;

14 (5) a notice from the court that a person has been convicted of a  
15 violation described under (g)(2) of this section, suspend all commercial fishing  
16 privileges of the person for a period of two years from the date of conviction;

17 (6) a notice from the court that a person has been convicted of a  
18 violation described under (g)(3) of this section, suspend all commercial fishing  
19 privileges of the person for a period of five years from the date of conviction.

20 \* Sec. 22. AS 16.43.970(j)(1) is amended to read:

21 (1) "commercial fishing permit" means an entry permit, [OR] an  
22 interim-use permit, ~~a vessel entry permit, or a vessel interim-use permit~~ issued  
23 under this chapter;

24 \* Sec. 23. AS 16.43.970(j)(1) is amended to read:

25 (1) "commercial fishing permit" means an entry permit ~~or~~ [,] an  
26 interim-use permit [, A VESSEL ENTRY PERMIT, OR A VESSEL INTERIM-USE  
27 PERMIT] issued under this chapter;

28 \* Sec. 24. AS 16.43.980(a) is amended to read:

29 (a) The commission shall prepare an annual report and notify the legislature  
30 that it is available. The report ~~must~~ [SHALL] include but not be limited to the  
31 following:

1 (1) a progress report on the reduction of entry permits to optimum  
2 levels;

3 (2) recommendations for additional legislation relating to the  
4 regulation of entry ~~of participants and vessels~~ into Alaska commercial fisheries.

5 \* Sec. 25. AS 16.43.990(5) is amended to read:

6 (5) "person" means a natural person; ~~"person"~~ [AND] does not  
7 include a corporation, company, partnership, firm, association, organization, ~~joint~~  
8 ~~venture, [BUSINESS] trust, [OR] society, or other legal entity other than a natural~~  
9 ~~person~~;

10 \* Sec. 26. AS 16.43.990 is amended by adding a new paragraph to read:

11 (10) "entity" means a corporation, company, partnership, firm,  
12 association, organization, joint venture, trust, society, or other legal entity other than a  
13 natural person.

14 \* Sec. 27. REPEAL OF VESSEL PERMIT SYSTEM. AS 16.43.100(a)(20), 16.43.450,  
15 16.43.460, 16.43.470, 16.43.480, 16.43.490, 16.43.500, 16.43.510, and 16.43.520 are  
16 repealed.

17 \* Sec. 28. Sections 5, 10, 12, 14, 16, 18, 21, 23, and 27 of this Act take effect December 30,  
18 2008.

19 \* Sec. 29. Except as provided in sec. 28 of this Act, this Act takes effect immediately under  
20 AS 01.10.070(c).



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2620  
(907) 463-2545 Fax  
E-Mail: [ufa@u.a-fish.org](mailto:ufa@u.a-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

January 31, 2008

Senator Charlie Huggins, Chairman  
Senate Resources Committee  
Alaska State Legislature  
State Capitol, Mail Stop 3100  
Juneau AK 99801

**RE: Support for SB 251 regarding Korean hair crab and weathervane scallop fisheries.**

Dear Senator Huggins and Committee members,

The United Fishermen of Alaska (UFA) Board of Directors recently met and discussed House Bill 16, which would delay the effective date of repeal of the vessel-based commercial fisheries limited entry systems for the Bering Sea Korean hair crab and weathervane scallop fisheries.

UFA supports SB 251. The first extinguishment of a limited access fishery in the State's history will occur if the scallop fishery is not continued. We are concerned that elimination of the vessel-based system would lead to an open access fishery, which would not be able to be managed to within the allowable biological harvest. We do not want to see a repeat of the past history such as the fiasco caused in 1995 by the vessel "Mr. Big" that caused the economic loss of an eighteen month closure after overharvesting the fishery.

We do not support vessel-based commercial fishery limited entry systems for any other fisheries. The history of the weathervane scallop fishery indicates the appropriateness of vessel based permitting in this fishery for the sustainability and economic vitality of the fishery, and for this reason we support SB 251.

Thank you for your consideration,

Sincerely,

Mark Vinsel  
Executive Director



## Coastal Villages Region Fund

711 H Street, Suite 200 • Anchorage, Alaska 99501 • Phone 907.278.5151 • Fax 907.278.5150

January 22, 2008

The Honorable Senator Donald Olson  
Alaska Senate  
State Capitol, Room 514  
Juneau, Alaska 99801-1182

Dear Senator Olson:

Coastal Villages Region Fund (CVRF) strongly supports the elimination of the sunset of the vessel-based commercial fisheries limited entry systems for the Bering Sea Korean hair crab fishery and weathervane scallop fishery.

We greatly appreciated your support during the 2007 legislative session for HB 16 – which would have extended the hair crab vessel limitation system through the year 2013. As you know, CVRF represents 20 villages and approximately 9,000 residents in the Kuskokwim area along the Bering Sea Coast. CVRF has significant investments in the Bering Sea crab fisheries – and holds two of the vessel permits in the Korean hair crab fishery (for the *F/V Arctic Sea* and the *F/V North Sea*). CVRF uses the revenue from Bering Sea investments to provide economic opportunities for residents of our region. Among other in-region programs, we continue to operate the Quinhagak salmon/halibut plant which provides hundreds of jobs to our residents, and we are in the process of building a new salmon plant in Platinum which will be the largest capital project in the history of the CDQ program.

If the Legislature does not take action during the 2008 session, existing State law will effectively terminate the vessel limitation system in both the hair crab fishery and scallop fishery on December 30, 2008. We believe that the vessel limitation program is working as intended and should be extended. The hair crab program complements similar management programs in the other Bering Sea crab fisheries, and the State law affords the Commercial Fisheries Entry Commission with the ability to fine-tune the program as needed.

We therefore strongly support the January 15, 2008 proposal to the Senate Resources Committee from the Commercial Fisheries Entry Commission to completely repeal the December 30, 2008 sunset for the vessel limitation programs in both the hair crab fishery and scallop fishery. As an alternative, we would support an extension of the sunset through December 30, 2013 as proposed by HB 16, but our strong preference would be to eliminate the sunset altogether.

Thank you again for your attention to this matter during the 2007 session, and for remembering our interest in the hair crab fishery as you take this up again in 2008. If there is anything CVRF can do to help please let us know.

Sincerely,



C. Morgen Crow, Executive Director  
Coastal Villages Region Fund

**State of Alaska**

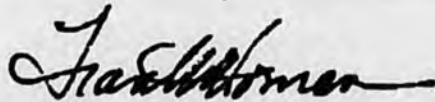
Sarah Palin, Governor

**Commercial Fisheries Entry Commission**

8800 Glacier Hwy, #100

P.O. Box 116302

Juneau, AK 99811-0302

**MEMORANDUM****To:** Senator Donny Olson  
Alaska State Senate**Date:** January 28, 2008**Phone:** (907) 789-6933 VOICE  
(907) 790-6933 FAX**From:** Commercial Fisheries Entry Commission  
Frank Homan, Chairman  
Peter Froehlich, Commissioner  
Bruce Twomley, Commissioner**Subject:** SB 251  
Background - Weathervane  
Scallop and Bering Sea Hair Crab  
Fisheries**INTRODUCTION**

As an alternative to its traditional license limitation program designed in 1973 for Alaska salmon fisheries, in 2002, the Alaska Legislature provided the Commercial Fisheries Entry Commission (the commission or CFEC) with an alternative vessel permit system which could be applied to only two fisheries: the Bering Sea hair crab fishery and the weathervane scallop fishery. AS 16.43.450(a) authorized the commission to employ the vessel permit system, if (among other things) "limiting the number of participants under [the traditional license limitation program designed for salmon] would not achieve the purposes of [the Limited Entry Act]".

A primary purpose of the Limited Entry Act is to serve conservation of the fisheries. *Simpson v. State, CFEC*, 101 P.3d 605 (Alaska 2004). Consequently, in 2004, for compelling conservation reasons, the Alaska Commercial Fisheries Entry Commission employed a vessel limitation system to limit entry into the Bering Sea hair crab fishery and the weathervane scallop fishery. Conservation needs in both fisheries weighed heavily against employing a limitation system that created a risk of increasing the number of participating vessels even for a limited time. However, the only alternative available to the commission was the traditional license limitation program designed in 1973 for Alaska salmon fisheries. Over time, the number of licensed vessel operators in each fishery was much greater than the number of

vessels. Under the traditional license limitation system, each licensed vessel operator would have been eligible to apply for a permanent entry permit and could have continued to operate a vessel in the fishery until their applications were finally adjudicated. In fact, as explained in more detail below, a traditional license limitation program created the risk of more than doubling the number of vessels in each fishery for some time following limitation.

### **BERING SEA HAIR CRAB FISHERY**

The conservation crisis faced by the Bering Sea hair crab fishery (closed by managers since 2000) made it critical for CFEC to restrict the number of vessels as low as possible.

CFEC employed the Vessel Limited Entry Program authorized by the Alaska Legislature, and the owners of only 20 vessels applied for permanent entry permits.<sup>1</sup> Today, two applications have been finally denied, two remain pending before the commission, and 16 permanent vessel entry permits have been issued.<sup>2</sup>

If CFEC had employed traditional license limitation, each of the estimated 47 licensed vessel operators who had participated in the fishery<sup>3</sup> would have been eligible to apply for permanent entry permits and to operate a vessel in the fishery until a final determination of their claims. Therefore, traditional license limitation created the risk of allowing 47 vessels into the fishery (more than twice the number of vessels that had ever participated in the fishery).<sup>4</sup>

Furthermore, considerable time would have been required to adjudicate the claims of 47 eligible applicants to reach the maximum number of 21. Under the most favorable assumptions, claims by applicants would have required at least one year for commission staff and hearing officers to adjudicate; at least an additional year for the commissioners; at least an additional year and one-half before the Alaska Superior Court; and, finally, at least an additional year and one-half before the Alaska Supreme

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<sup>1</sup> *A Brief Overview of the Bering Sea Hair Crab Fishery and the Vessel Limited Entry Program* (February 2007 CFEC Report No. 07-1N at 5).

<sup>2</sup> *Id.*

<sup>3</sup> *Rationale for Limiting Entry in the Bering Sea Hair Crab Fishery* (CFEC, March 25, 2004 at 6).

<sup>4</sup> For a historic example of this unfortunate effect of the traditional License Limitation Program, in the Northern Southeast Inside sablefish fishery, CFEC established a maximum number of 73 (representing the highest number of vessels to have ever participated in the fishery), but 167 individuals applied for entry permits in the fishery. Consequently, soon after limiting entry, 161 vessels participated in the fishery representing well over twice the number of vessels the fishery had ever supported.

Court. In other words, under the most optimistic estimates, at least five years would have been required to reduce the number of eligible participants to the maximum number of 21. The commission was not willing to assume this risk.

To conserve the fishery, CFEC could not have employed the traditional limited entry program without assuming the risk of violating its constitutional and statutory duty to conserve the fishery. Instead, after research and public hearings, CFEC found that it had a duty to employ the vessel limitation alternative in order to limit promptly the number of participating vessels. As noted, the owners of 20 vessels applied for permanent entry permits.

### WEATHERVANE SCALLOP FISHERY

Similar conservation concerns weighed heavily on the weathervane scallop fishery, where managers of the fishery did not want to risk authorizing the operation of additional scallop dredges. By employing the vessel license limitation system over the qualifying years (1991-2003),<sup>5</sup> the commission was promptly able to limit the number of participating vessels to a representative historic level of 9 vessels.<sup>6</sup>

In the alternative, over the shortest possible qualifying period,<sup>7</sup> at least 27 vessel operators would have been eligible to apply for permanent entry permits under the traditional license limitation system. If, instead of this limited four-year period, CFEC had employed the same qualifying years it did for vessels, some 43 vessel operators would have been eligible to apply for permanent entry permits.

As with the hair crab fishery, CFEC again considered the time required to adjudicate these potential claims to reduce them to a maximum number representing the historic level of participation.<sup>8</sup> The adjudication process would have taken at least five years under the most favorable of assumptions. Consequently, the commission chose the vessel limitation alternative. The commission did not want to assume the risk of visiting on a fishery with critical conservation needs as many as three times the number of vessels that the fishery had ever supported in a particular year.

<sup>5</sup> 20 AAC 05.1430.

<sup>6</sup> *A Brief Overview of the Alaska Weathervane Scallop Fishery and the Vessel Permit Limited Entry Program* (February 2007 CFEC Report 07-2N at 7).

<sup>7</sup> The four years immediately preceding the 1997 moratorium. CFEC February 4, 2004 memo to Commissioner of ADF&G at 2 n2.

<sup>8</sup> The maximum number based on vessels would likely have been 12.

## CONCLUSION

As we have attempted to explain, the legislature helped the commission meet the conservation needs of the two fisheries at issue by providing the commission with a vessel license limitation alternative to the traditional license limitation program designed in 1973 for salmon. The vessel license limitation alternative helped the commission to meet its duty to conserve these fisheries. *Simpson v. State, CFEC, 101 P.3d 605 (Alaska 2004)*.

# State of Alaska

**SARAH PALIN, Governor**

**Commercial Fisheries Entry Commission**

**8800 Glacier Hwy, #109**

**P.O. Box 110302**

**Juneau, AK 99811-0302**

## MEMORANDUM


**To:** Senator Huggins, Chair  
Senate Resources Committee

**Date:** January 15, 2008

**Phone:** (907) 789-6160 VOICE  
(907) 790-6170 FAX

**From:** Frank Homan, Chair  
Commercial Fisheries Entry Commission

**Subject:** Introduction of Scallop and Hair  
Crab Legislation



We would like to request that you consider introducing legislation to protect the Alaska scallop and hair crab fisheries from reverting to unlimited open access fisheries subject to an influx of additional harvesters.

Attached is a one page draft bill for your consideration. This bill would repeal the sunset and make the vessel limitation permanent for these two fisheries only.

The attached memo explains the history of these two fisheries. Simply stated, however, conservation was the deciding factor in the original legislation passed in 2003 to protect these fisheries from over exploitation. The original legislation had a five-year sunset provision.

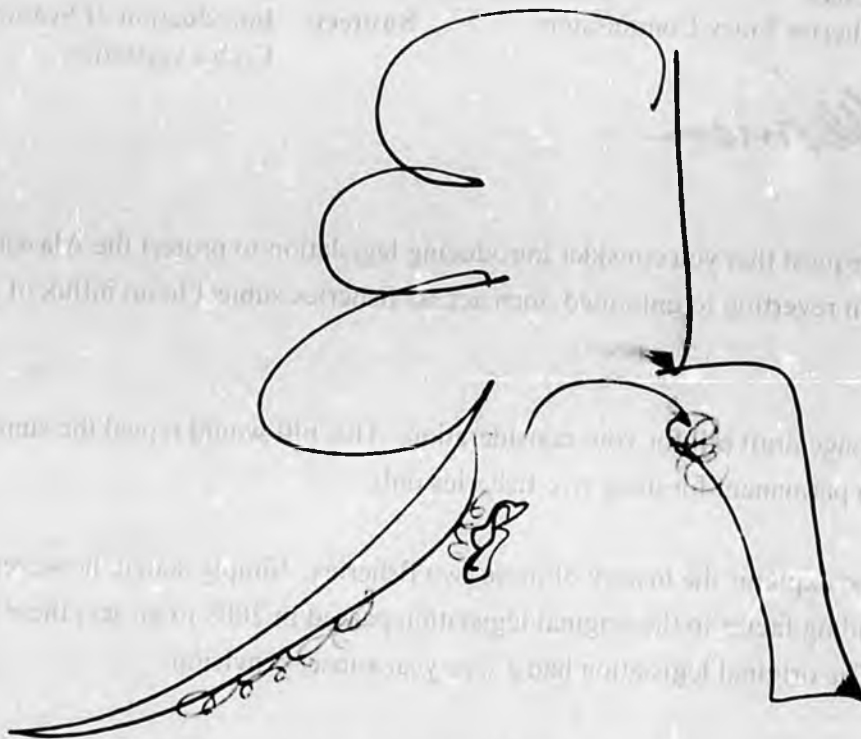
A related bill (HB 16) was introduced on the House side by Fisheries Committee Chair Representative Seaton who has declined to move the bill from the House Fisheries Committee.

This legislation is supported by:

- \* The Alaska Scallop Association
- \* The United Fishermen of Alaska
- \* The North Pacific Fisheries Management Council
- \* The Alaska Commercial Fisheries Entry Commission
- \* The Alaska Department of Fish and Game and the Administration

Commercial Fisheries Entry Commission  
8800 Glacier Hwy., #103  
P.O. Box 14902  
Juneau, AK 99811-0902

MEMORANDUM



open water

big boats

Straddles 3 mile line

0 - 3 miles = state jurisdiction

3 - 200 " = fed jurisdiction

Support - N Pac Fisheries Mngmt Cncl

- F&G

- UFA

- Bering Sea

against = a few-guypin Kodiak who don't like Corp Ownership

# State of Alaska

*Sarah Palin, Governor*

## Commercial Fisheries Entry Commission

8800 Glacier Hwy, #109

P.O. Box 110302

Juneau, AK 99811-0302

## MEMORANDUM


**To:** SENATE RESOURCES COMMITTEE  
Senator Charlie Huggins, Chair  
Senator Bert Stedman, Vice-Chair  
Senator Lyda Green  
Senator Gary Stevens  
Senator Lesil McGuire  
Senator Bill Wielechowski  
Senator Thomas Wagoner

**Date:** January 15, 2008

**Phone:** (907) 789-6933 VOICE  
(907) 790-6933 FAX

**From:** Commercial Fisheries Entry Commission  
Frank Homan, Chairman  
Peter Froehlich, Commissioner  
Bruce Twomley, Commissioner

**Subject:** Background - Weathervane  
Scallop and Bering Sea Hair Crab  
Fisheries



### INTRODUCTION

As an alternative to its traditional license limitation program designed in 1973 for Alaska salmon fisheries, in 2002, the Alaska Legislature provided the Commercial Fisheries Entry Commission (the commission or CFEC) with an alternative vessel permit system which could be applied to only two fisheries: the Bering Sea hair crab fishery and the weathervane scallop fishery. AS 16.43.450(a) authorized the commission to employ the vessel permit system, if (among other things) "limiting the number of participants under [the traditional license limitation program designed for salmon] would not achieve the purposes of [the Limited Entry Act]".

A primary purpose of the Limited Entry Act is to serve conservation of the fisheries. *Simpson v. State, CFEC*, 101 P.3d 605 (Alaska 2004). Consequently, in 2004, for compelling conservation reasons, the Alaska Commercial Fisheries Entry Commission employed a vessel limitation system to limit entry into the Bering Sea hair crab fishery and the weathervane scallop fishery. Conservation needs in both fisheries weighed heavily against employing a limitation system that created a risk of increasing the

number of participating vessels even for a limited time. However, the only alternative available to the commission was the traditional license limitation program designed in 1973 for Alaska salmon fisheries. Over time, the number of licensed vessel operators in each fishery was much greater than the number of vessels. Under the traditional license limitation system, each licensed vessel operator would have been eligible to apply for a permanent entry permit and could have continued to operate a vessel in the fishery until their applications were finally adjudicated. In fact, as explained in more detail below, a traditional license limitation program created the risk of more than doubling the number of vessels in each fishery for some time following limitation.

### **BERING SEA HAIR CRAB FISHERY**

The conservation crisis faced by the Bering Sea hair crab fishery (closed by managers since 2000) made it critical for CFEC to restrict the number of vessels as low as possible.

CFEC employed the Vessel Limited Entry Program authorized by the Alaska Legislature, and the owners of only 20 vessels applied for permanent entry permits.<sup>1</sup> Today, two applications have been finally denied, two remain pending before the commission, and 16 permanent vessel entry permits have been issued.<sup>2</sup>

If CFEC had employed traditional license limitation, each of the estimated 47 licensed vessel operators who had participated in the fishery<sup>3</sup> would have been eligible to apply for permanent entry permits and to operate a vessel in the fishery until a final determination of their claims. Therefore, traditional license limitation created the risk of allowing 47 vessels into the fishery (more than twice the number of vessels that had ever participated in the fishery).<sup>4</sup>

Furthermore, considerable time would have been required to adjudicate the claims of 47 eligible applicants to reach the maximum number of 21. Under the most favorable assumptions, claims by

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<sup>1</sup> *A Brief Overview of the Bering Sea Hair Crab Fishery and the Vessel Limited Entry Program* (February 2007 CFEC Report No. 07-1N at 5).

<sup>2</sup> *Id.*

<sup>3</sup> *Rationale for Limiting Entry in the Bering Sea Hair Crab Fishery* (CFEC, March 25, 2004 at 6).

<sup>4</sup> For a historic example of this unfortunate effect of the traditional License Limitation Program, in the Northern Southeast Inside sablefish fishery, CFEC established a maximum number of 73 (representing the highest number of vessels to have ever participated in the fishery), but 167 individuals applied for entry permits in the fishery. Consequently, soon after limiting entry, 161 vessels participated in the fishery representing well over twice the number of vessels the fishery had ever supported.

applicants would have required at least one year for commission staff and hearing officers to adjudicate; at least an additional year for the commissioners; at least an additional year and one-half before the Alaska Superior Court; and, finally, at least an additional year and one-half before the Alaska Supreme Court. In other words, under the most optimistic estimates, at least five years would have been required to reduce the number of eligible participants to the maximum number of 21. The commission was not willing to assume this risk.

To conserve the fishery, CFEC could not have employed the traditional limited entry program without assuming the risk of violating its constitutional and statutory duty to conserve the fishery. Instead, after research and public hearings, CFEC found that it had a duty to employ the vessel limitation alternative in order to limit promptly the number of participating vessels. As noted, the owners of 20 vessels applied for permanent entry permits.

### WEATHERVANE SCALLOP FISHERY

Similar conservation concerns weighed heavily on the weathervane scallop fishery, where managers of the fishery did not want to risk authorizing the operation of additional scallop dredges. By employing the vessel license limitation system over the qualifying years (1991-2003),<sup>5</sup> the commission was promptly able to limit the number of participating vessels to a representative historic level of 9 vessels.<sup>6</sup>

In the alternative, over the shortest possible qualifying period,<sup>7</sup> at least 27 vessel operators would have been eligible to apply for permanent entry permits under the traditional license limitation system. If, instead of this limited four-year period, CFEC had employed the same qualifying years it did for vessels, some 43 vessel operators would have been eligible to apply for permanent entry permits.

As with the hair crab fishery, CFEC again considered the time required to adjudicate these potential claims to reduce them to a maximum number representing the historic level of participation.<sup>8</sup> The adjudication process would have taken at least five years under the most favorable of assumptions.

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<sup>5</sup> 20 AAC 05.1430.

<sup>6</sup> *A Brief Overview of the Alaska Weathervane Scallop Fishery and the Vessel Permit Limited Entry Program* (February 2007 CFEC Report 07-2N at 7).

<sup>7</sup> The four years immediately preceding the 1997 moratorium. CFEC February 4, 2004 memo to Commissioner of ADF&G at 2 n2.

<sup>8</sup> The maximum number based on vessels would likely have been 12.