

Joint Legislative Salmon Industry Task Force



Recommendations

Draft

Editor's Note: *The enclosed recommendations were adopted at a December 15 and 16 Task Force meeting. Please note that these recommendations are not final. The recommendations were only approved for further study and analysis.*

The Task Force will adopt the final recommendations on January 23rd in Juneau, Alaska.

Draft Legislation

Editor's Note: *The listed items were only approved for draft legislation to be revisited on January 23. If you would like copies, if available, of draft legislation, please contact Phelan Straube at phelan_straube@legis.state.ak.us or Cheryl Sutton at Cheryl_Sutton@legis.state.ak.us*

- \$5 million general fund appropriation to the Alaska Seafood Marketing Institute for seafood promotion.
- “An Act relating to the emergency order authority of the commissioner of fish and game and to meetings of the Board of Fisheries.
- “An Act relating to payment of the fisheries business tax and to security for collection of the fisheries business tax.”
- “An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program.”
- “An Act relating to a salmon product development tax credit under the Alaska fisheries business tax and the Alaska fisheries resource landing tax; and providing for an effective date.”
- “An Act relating to the transportation and sale of commercially caught fish by an agent of a commercial fishing permit holder and to the sale of fish; and providing for an effective date.”
- Mandatory chilling at the point of harvest and/or minimum delivery time *(This draft legislation shall include an examination of possible funding options for both the capital investment and the annual operating costs including state funds, federal funds or a possible assessment on the fishermen/processors should be examined.)*
- Permit Stacking Incentives:
 1. Recommend area and gear type self-determination
 2. Recommend area and gear type self-determination changes be approved by a 66% vote of all permit holders within a specific gear type and area
 3. A vote to rescind changes supported by the previous recommendation should require a 66% vote of all permit holders.
 4. Recommend discussions should include gear uses, vessel, area, and time.
- Fractionalized Entry Permits:
 1. Recommend making a fractionalized permit system available to those area/groups who vote (66%) to have fractionalized licensing in their fishery.

- Self-Assessed Buy-Back:
 1. In a self-assessed buy-back situation, assessments levied by a prevailing vote (66%) of a gear type by area should be paid by ALL permit holders within the gear class – the percentage should be split equally by a calculation that may be a combination of percent of harvest and equal application.

- 1% salmon marketing assessment on hatchery cost recovery fish.

- “An Act relating to participation in matters before the Board of Fisheries by members of the board”

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- Creation of an Alaska Commercial Seafood Commission.

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- “An Act relating to the wages of people working in the fisheries business”

- A resolution requesting that the Alaska Board of Fisheries table any additional salmon cooperative proposals until a legislative review of the statutory enabling authority regarding cooperative creation and the attendant public policy issues be examined.

Other Recommendations

Editor's Note: *These include items the Task Force approved for further analysis by the respective subcommittees and recommendations for action by the legislature and non legislative entities.*

Marketing

1. **Sustainable funding issues**—generic salmon promotions are effective only if they occur consistently over time and state participation must be stabilized in a global environment where farmed salmon marketing occurs on a much higher level.
2. **Funding ‘string’ issues**—how can the state optimize federal dollars that often come with strings attached?
3. **Marketing structural issues**—are statutory changes needed to enhance marketing efforts and/or should there be bureaucratic changes that allow ASMI to better achieve promotional goals?
4. **Regional marketing issues**—do regional marketing efforts cause cognitive dissonance in domestic and export salmon markets, do regional marketing efforts cause Balkanization of promotional efforts leading to cognitive dissonance in the markets and/or fractionalization of financial resources so no effort has the monetary oomph to move the marketing needle, should regional marketing efforts be coordinated under one entity?
5. **Product diversity issues**—it is easier to move product in the markets if the product is available in a variety of product forms so what role does the state play in encouraging new product forms?
6. **Quality issues**—it is easy to sell a product once but difficult to sell again if the quality experience is a bad experience.

Issues 5 and 6 are being studied in the production committee and the quality committee. The marketing committee looks forward to working with those committees on those challenges.

The task force recommends drafting language for both regulatory and statutory changes as needed to simplify regulations pertaining to direct marketing by fishermen.

Issues to be addressed include:

- Developing a user-friendly statutory and regulatory structure for permit holders marketing their own catch.
 1. Creating concise definitions for direct marketing and direct marketers.
 2. Simplifying the permitting and year-end reporting process and creating a single application packet for direct marketers.

3. Clarifying the definition of "landing" and clarifying fish ticket requirements for catcher/processors delivering to licensed fisheries businesses in Alaska.
 4. Eliminate to the extent possible inconsistencies and conflicts between ADF&G, DEC, and DOR statutes and regulations.
 5. Establishing a working group of all affected stakeholders and agencies to identify issues and recommend solutions.
- Restructure regulations and Department of Revenue statutes to create a simple, fair and uniform tax structure for direct marketers.
 1. Expand tax exclusion in statute AS 43.75.017 so that direct marketers selling processed product to licensed fisheries businesses in Alaska are excluded from tax responsibility.
 2. Assess all direct marketers 3% fisheries business tax. Currently small catcher/processor direct marketers are paying 5% and other direct marketers termed "catcher/sellers" are in a tax loophole.
 3. Adjust statute so direct marketers pay all tax liabilities annually on one standardized return, based on the average annual dock price published by DOR. Currently, direct marketers pay their taxes on the first wholesale price, meaning that unlike other processors they are being unfairly taxed on the value added to their products.

Finance

- The task force recommends a comprehensive evaluation regarding fisheries tax structure. Some of the questions to be examined follow.
 1. The tax structure for direct marketers.
 2. The inequity among different fisheries according to classification by various state agencies.
 3. The "point of processing" depiction.
 4. The tax inequities between shore side and floater operations.
 5. The fisheries business tax and its varying rates.

- The task force recommends further exploration of the following issues in support for state hatcheries. Information is to be presented in January to the task force.

Issues of consideration by the legislature and administration should include:

1. Loan forgiveness and/or debt restructure and its benefits or detriments to the state.
 2. An exploration of the association of private non profits both under regional control and independent entities and an examination of recommendations that may help promote efficiencies and consistency.
 3. The development of a more structured interaction between areas where hatcheries exist and areas where they do not for the purpose of exploring hatchery economic development options, education, and socio/economic impacts.
- The task force recommends continuing examination of the following items on loan forgiveness and debt retirement. Further information will be provided to the task force at the January meeting.
 1. The benefits of fleet reduction in over-capitalized fisheries.
 2. The benefits to expanding provisions in HB 286, 287, and 288 (measures passed in the 22nd Legislature) to allow greater flexibility for area and gear type self-determination.
 3. "Local" economic stability should always be considered when developing criteria for fleet reduction.
 4. Loan forgiveness, debt restructure, and permit retirement should be considered on an area and gear type basis as well as in the broad policy arena to ascertain the specific and collective financial benefit/deficit to the state.
 - The task force recommends specific recommendations relative to changes in the Capital Construction Fund be presented at the January meeting of the task force for further consideration.

Capital Construction Fund - the parameters of this fund should be examined and recommendations forwarded to expand its purposes to assist fishermen.

Quality

- The task force recommends that existing statute, AS 17.20.066(a) pertaining to a quality handling inspection seal be reviewed and updated to include authorization for the issuance of an inspection seal to signify that seafood products have been packed in compliance with AS 17.20.065 and other basic handling practices identified in 18 AAC 34. Draft regulations implementing this authority should be widely vetted and finalized by January 1, 2004. The task force further recommends that in order to maintain needed flexibility and innovation, statewide grading standards be left to the private sector, including, but not limited to, the use of independent third party inspection processes to certify adherence to a given set of product specifications.
- The task force supports funding for education/training for harvesters and processors necessary to meet recommended salmon quality goals.

Production

The task force tabled the following recommendations for further exploration:

- The monetary contributions of all permit holders in a fishery to its long-term health.
- A comprehensive review of the laws governing exclusive area and vessel registration for salmon limited entry permit holders.

The task force, after much discussion, recommends not moving forward on the investigation of the economic viability of salmon farming in Alaska.

Governance

- The task force recommends that the legislature direct the Alaska Department of Fish & Game develop criteria and a process for the distribution of Dingle-Johnson monies to Private Non-Profit Hatcheries and other commercial fishing entities with sport fish enhancement projects.

- The task force recommends that Legislative Budget and Audit review current policies and practices of the Alaska Department of Fish and Game regarding test fisheries. This concern is related to how the department conducts these fisheries and how the department utilizes the test fishery receipts.

- The task force recommends a comprehensive review of the Board of Fisheries process and authority should be undertaken by the legislature including, but not limited to, the following list of topics.

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1. **Number of proposals:** Currently the board must spend considerable time on proposals that often have been submitted by individuals with no agreement from other stakeholders in the fishery in question. Suggestions to mitigate this problem include using the Advisory Committees as screening bodies for any proposal, requiring the signatures of a given number of permit holders in the fishery, and charging fees for submission of proposals.
2. **Proper consideration and review of documents related to proposals:** A significant hindrance to good public process occurs when the board considers scientific studies, legal opinions, socio-economic studies, CFEC reports, ADF&G staff reports, and reports of Advisory Committees without giving the public adequate time to review the material.
3. **Composition and function of the board:** The Board of Fisheries was established in the early 1970s with 7 members. Since then, the workload of the board has been incrementally increased without any commensurate increase in the size of the board. The annual workload is up to 150 days. This is stressing the capabilities of board members and has led to a workload that is certainly not attractive to prospective volunteers for the board. Providing for a larger board might improve the public process by broadening the base of expertise amongst the membership and allowing committees of the board to better accomplish their missions. In addition to the number of members, some think that the board should be comprised of designated seats by region and/or by user group affiliation and that the board be professionalized (i.e. that board members should be paid professionals so they can be a full-time board).
4. **Allocation criteria:** Because the board has the power to allocate resources between user groups, it holds considerable power over those who depend on fisheries for their source of income. A review of the Board of Fisheries should include further analysis of the criteria used by the board to make allocative decisions. Those criteria should include consideration of the economic ramifications to those presently engaged in the fisheries and limit on the annual

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rate of change between allocation percentages of given fisheries. Furthermore, the legal language should be changed to mandate that the board “shall” consider these criteria in making allocative decisions.

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5. **Developing fisheries:** A review of the Board of Fisheries should include a review of the role of the board in limiting development of new fisheries. Some believe that the Alaska Department of Fish & Game should be the primary agency to allow for exploration of new fisheries. Political issues (through the Board of Fisheries) should not play into the equation until and if any given developing fishery has allocative issues to address.
6. **The relationship between the Board of Fisheries and the Regional/Local Advisory Committees:** A review should look into the use of the Advisory Committees as screening mechanisms for proposals and as potential checks and balances on board powers. A review should also consider the idea of changing advisory committees’ structure from a community-by-community basis to a fishery basis at the regional level.
7. **Emergency Order Authority of the Commissioner of Fish and Game:** The relationship between the board and the commissioner should be investigated to clarify the powers of the commissioner to carry out in-season management by way of the emergency order. Micro-management by the board should be avoided where possible so that area managers have flexibility they need to adjust openings and closures in order to manage fisheries for the maximum benefit of the people.
8. **Funding:** Board funding has not kept up with the increased workload of the board. A review should include an analysis of what amount of funding is truly needed for the board to accomplish its mission with a proper level of data collection and analysis and a better public process.
9. **Confirmation process:** The current system allows the legislature to effectively veto confirmations by simply not taking them up. Thus the board confirmations can be used as a political tool in the final days of a legislative session. A suggested fix could include a deadline for confirmation hearings earlier in legislative session.
10. **Committee process:** The board has increasingly relied on the committee process in order to process the volume of proposals that must be dealt with at each meeting. A review should include scrutiny of this process and the fact that committee proceedings are not currently on the record. Adequate public response to committee reports should be assured.
11. **Review of powers and responsibilities of the Board of Fisheries in setting public policy that has statewide implications:** In this time of rapid change in the industry, it is important for the legislature and the public to consider the broader

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implications of decisions made by the board. Systematic changes must be managed with proper understanding of their economic and social ramifications.

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- The task force recommends further research, analyze, and development recommendations and limitations on current cost recovery practices.
- The task force recommends that the Fisheries Education Working Group of the Governance Sub-Committee continue defining its work on Fisheries Education by working with the University of Alaska's Fisheries related programs, entities and initiatives; the Department of Education and other State of Alaska governmental departments to provide 1) an inventory or assessment of existing fisheries education, training and research programs; and, 2) the identification of additional efforts needed in order to develop new programs to address the needs of industry.
- The task force recommends that the Governor's office should review and analyze the governmental programs that were intended to respond to salmon disaster declarations in various parts of Alaska. In addition, more effort should be spent on socio-economic studies of Alaska's fishing industry and the regions and communities that are affected by the crisis. As the state and industry go through this period of hardship, adequate data are needed to assess the impacts of proposed policy and management choices.
- The task force recommends that the legislature review current limitations on the disposal of salmon carcasses to see if there would be new opportunities to provide economic benefit to the salmon industry. It further recommends that regulations are consistent and that all segments of the salmon industry are treated in the same manner.

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