

**CS FOR SENATE BILL NO. 172(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/18/16

Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to management of enhanced stocks of shellfish; authorizing certain**  
2 **nonprofit organizations to engage in shellfish stock rehabilitation efforts, carry out**  
3 **shellfish enhancement projects, and operate shellfish hatcheries; relating to application**  
4 **fees for salmon hatchery permits; and providing for an effective date."**

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

6 \* **Section 1.** AS 16.05.730(c) is amended to read:

7 (c) The board may consider the need of enhancement projects authorized  
8 under AS 16.10.400 and contractors who operate state-owned enhancement projects  
9 under AS 16.10.480 to harvest and sell fish produced by the enhancement project that  
10 are not needed for brood stock to obtain funds for the purposes allowed under  
11 AS 16.10.450 or 16.10.480(d). **The board may consider the need of enhancement**  
12 **projects authorized under AS 16.12.010 to harvest and sell shellfish that are not**  
13 **needed for brood stock to obtain funds for the purposes allowed under**  
14 **AS 16.12.080.** The board may exercise its authority under this title as it considers

1 necessary to direct the department to provide a reasonable harvest of fish, in addition  
 2 to the fish needed for brood stock, to an enhancement project to obtain funds for the  
 3 enhancement project if the harvest is consistent with sustained yield of wild fish  
 4 stocks. The board may adopt a fishery management plan to provide fish to an  
 5 enhancement project to obtain funds for the purposes allowed under AS 16.10.450,  
 6 [OR] 16.10.480(d), or AS 16.12.080.

7 \* **Sec. 2.** AS 16.10.400(b) is amended to read:

8 (b) The application for a permit under this section shall be on a form  
 9 prescribed by the department and be accompanied by an application fee of **\$1,000**  
 10 [\$100]. The commissioner may waive the submission of an application for a permit to  
 11 operate a hatchery under AS 16.10.480.

12 \* **Sec. 3.** AS 16 is amended by adding a new chapter to read:

13 **Chapter 12. Shellfish Stock Rehabilitation Efforts, Enhancement Projects, and**  
 14 **Hatcheries.**

15 **Sec. 16.12.010. Permits for shellfish stock rehabilitation, enhancement**  
 16 **projects, or hatcheries.** (a) Subject to the restrictions imposed by statute or regulation  
 17 under this chapter, the commissioner may issue a permit to a nonprofit corporation  
 18 organized under AS 10.20 for stock rehabilitation, an enhancement project, or the  
 19 construction and operation of a shellfish hatchery.

20 (b) Each applicant for a permit under this section shall apply in a format  
 21 prescribed by the department and pay an application fee of \$1,000.

22 (c) A permit issued under this section is nontransferable. If a permit holder  
 23 sells or leases a facility for which a permit has been issued under this section, the new  
 24 operator shall apply for a permit under this section.

25 (d) The commissioner shall consult with and solicit recommendations from  
 26 federal and state agencies and technical experts in the relevant area regarding permit  
 27 stipulations and issuance.

28 (e) The commissioner may not issue a permit under this section unless the  
 29 commissioner determines that the action would result in substantial public benefits and  
 30 would not jeopardize natural stocks.

31 **Sec. 16.12.020. Hearings before permit issuance.** (a) At least 30 days before

1 the issuance of a permit under AS 16.12.010, the department shall hold a public  
2 hearing in a central location in the vicinity of the proposed release.

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

6 (c) The department shall conduct the hearing. The applicant shall present a  
7 plan for the proposed stock rehabilitation effort, enhancement project, or hatchery  
8 describing relevant facts that may be of interest to the department or to the public and  
9 the capacity of the facility. The department shall give interested members of the public  
10 an opportunity to be heard.

11 (d) The department shall record and consider objections and recommendations  
12 offered by the public at the hearing conducted under this section. The department shall  
13 respond in writing, not later than 30 days after the hearing is held, to a specific  
14 objection offered by a member of the public at the hearing.

15 **Sec. 16.12.030. Conditions of a permit.** The department shall require, in a  
16 permit issued under this chapter, that the permit holder

17 (1) procure shellfish from the department or a source approved by the  
18 department;

19 (2) place shellfish only in water of the state specifically designated in  
20 the permit;

21 (3) not procure or place genetically modified shellfish into the water of  
22 the state;

23 (4) not resell or transfer shellfish sold to a permit holder by the state or  
24 by another party approved by the department;

25 (5) not release shellfish before approval of the department, and, for  
26 purposes of pathological examination and approval, that the permit holder notify the  
27 department at least 15 days before the date of the proposed release of shellfish;

28 (6) destroy diseased shellfish in a specific manner and place designated  
29 by the department;

30 (7) harvest shellfish only at specific locations and under specific  
31 conditions as designated by the department;

1 (8) make surplus shellfish available for sale first to the department and  
2 then, after inspection and approval by the department, to other permit holders  
3 operating under this chapter;

4 (9) provide a copy of the sales transaction to the department if surplus  
5 shellfish are sold by a permit holder to another permit holder;

6 (10) release shellfish in an area where the shellfish will be available to  
7 traditional fisheries, subject to the provisions of this chapter and regulations adopted  
8 under this chapter.

9 **Sec. 16.12.040. Alteration, suspension, or revocation of permit.** (a) If a  
10 permit holder fails to comply with the conditions and terms of the permit issued under  
11 AS 16.12.010 within a reasonable period after notification by the department of  
12 noncompliance, the permit may be suspended or revoked, in the discretion of the  
13 commissioner.

14 (b) If the commissioner finds that the operation of the permitted activity is not  
15 in the best interests of the public, the commissioner may alter the conditions of the  
16 permit to mitigate the adverse effects of the operation or, if the adverse effects are  
17 irreversible and cannot be mitigated sufficiently, initiate a termination of the operation  
18 under the permit over a reasonable period under the circumstances, not to exceed four  
19 years. During the period that the operation is being terminated, the permit holder may  
20 harvest shellfish under the terms of the permit but may not release additional shellfish.

21 **Sec. 16.12.050. Regulations relating to released shellfish.** (a) Shellfish  
22 released into the natural water of the state by a permit holder under this chapter are  
23 available to the people for common use and are subject to regulation under applicable  
24 law in the same way as shellfish occurring in their natural state except when they are  
25 in a special location designated by the department for harvest by a permit holder.

26 (b) The Board of Fisheries may, after the issuance of a permit by the  
27 commissioner, amend by regulation adopted in accordance with AS 44.62  
28 (Administrative Procedure Act), the terms of the permit relating to the source of brood  
29 stock, the harvest of shellfish by permit holders, and the specific locations designated  
30 by the department for harvest. The Board of Fisheries may not adopt a regulation or  
31 take an action regarding the issuance or denial of a permit required in this chapter.

1           **Sec. 16.12.060. Department assistance and cooperation.** (a) Before and after  
2 permit issuance under AS 16.12.010, the department shall make reasonable efforts,  
3 within the limits of time and resources, to advise and assist applicants or permit  
4 holders, as appropriate, as to stock rehabilitation efforts, enhancement projects, or the  
5 planning, construction, and operation of facilities.

6           (b) Nothing in this section exempts an applicant or permit holder from  
7 compliance with this chapter or from compliance with the regulations or restrictions  
8 adopted under this chapter.

9           **Sec. 16.12.070. Brood stock sources.** (a) The department shall approve the  
10 source and number of shellfish taken for use as brood stock under AS 16.12.010 -  
11 16.12.199.

12           (b) Where feasible, a permit holder shall first take shellfish from stocks native  
13 to the area in which the shellfish will be released.

14           **Sec. 16.12.080. Sale of shellfish; use of proceeds; quality and price.** (a) A  
15 permit holder that sells shellfish harvested from the natural water of the state, or sells  
16 shellfish to another permit holder under this chapter, shall use the funds only for  
17 reasonable operating costs, including debt retirement, expanding its facilities, shellfish  
18 rehabilitation projects, shellfish research, or to assist in meeting the department's costs  
19 of managing the affected fisheries for the area in which the shellfish release is located.

20           (b) A permit holder shall ensure that shellfish harvested and sold for human  
21 consumption are of comparable quality to shellfish harvested by commercial fisheries  
22 in the area and are sold at prices commensurate with the current market.

23           **Sec. 16.12.090. Cost recovery fisheries.** (a) A permit holder may harvest  
24 shellfish for a stock rehabilitation effort, an enhancement project, or a hatchery in

25           (1) a special harvest area through agents or employees of or persons  
26 under contract with the permit holder as provided under a permit from the department  
27 or regulations of the Board of Fisheries; or

28           (2) a special harvest area through the common property fishery under  
29 this section.

30           (b) A permit holder may, by a majority vote of the membership of the permit  
31 holder's board, elect to harvest shellfish in a special harvest area established for stock

1 rehabilitation, an enhancement project, or a hatchery through the common property  
2 fishery. At the request of the permit holder and if the commissioner determines that  
3 there are no allocative issues involved, and after reasonable consultation with affected  
4 commercial fishermen, the commissioner may adopt regulations governing the harvest  
5 of shellfish in a special harvest area through a common property fishery. The  
6 regulations must specify the terms, conditions, and rules under which the common  
7 property fishery in the special harvest area shall be conducted, including requirements  
8 for holding inspections and reporting of harvests and sales of shellfish taken in the  
9 special harvest area. Following adoption of regulations by the department, before  
10 January 15 of each year, the permit holder's board of directors, by a majority vote of  
11 the board's membership, may determine whether the permit holder will operate under  
12 the regulations adopted under this subsection during the current calendar year and  
13 shall notify the department if the permit holder intends to operate under the regulations  
14 adopted under this subsection. The Board of Fisheries may adopt regulations under  
15 AS 16.05.251 regarding a fisheries management plan governing operations under this  
16 subsection in a special harvest area, including allocation plans. Participation in the  
17 fishery must be open to all interim-use permit and entry permit holders who hold  
18 permits to operate a type of gear that may be used in the fishing district in which the  
19 special harvest area is located if that type of gear is authorized by regulation to be used  
20 in the special harvest area. An interim-use permit holder or an entry permit holder who  
21 takes shellfish in a common property fishery in a special harvest area may sell the  
22 shellfish to a fish buyer or processor who is licensed to do business in the state.

23 (c) As a condition of participation in a common property shellfish fishery in a  
24 special harvest area under this section, a fisherman who participates in the fishery is  
25 subject to the payment of the assessment levied under (d) of this section on the  
26 projected value of the shellfish or on the pounds of shellfish harvested. The  
27 assessment is levied on the shellfish that the fisherman takes in the special harvest area  
28 and sells to a licensed buyer. The buyer of the shellfish must be licensed under  
29 AS 43.75, and the buyer shall collect the assessment on shellfish taken in a special  
30 harvest area at the time of purchase and remit the assessment to the Department of  
31 Revenue in accordance with regulations adopted by the Department of Revenue.

1 (d) The Department of Revenue may, by regulation, annually, by March 1 of  
2 each year, set the assessment levied on shellfish taken in a special harvest area in  
3 consultation with the Department of Commerce, Community, and Economic  
4 Development, the permit holder, and representatives of affected commercial  
5 fishermen. The assessment shall provide sufficient revenue to cover debt service,  
6 reasonable operating expenses, reasonable maintenance expenses, and development or  
7 maintenance of a reserve fund up to 100 percent of annual operating costs of the  
8 permit holder's stock rehabilitation effort, enhancement project, or hatchery. In setting  
9 the assessment, the department shall consider the estimated harvest of shellfish in the  
10 special harvest area, the projected price to be paid for shellfish in the region, the  
11 amount of the existing reserve held by the permit holder, and the amount by which the  
12 assessment collected in previous years exceeded or fell short of the amount anticipated  
13 to be collected. The assessment may not exceed 50 percent of the value of the  
14 shellfish. The department may levy the assessment as a percentage of the projected  
15 value of the shellfish harvested in the special harvest area or as a flat rate on each  
16 pound of shellfish harvested in the area, to the nearest whole cent.

17 (e) The Department of Revenue shall deposit the assessments collected under  
18 this section in the general fund. The legislature may appropriate the funds collected  
19 under this section to the permit holder who is rehabilitating stock, carrying out an  
20 enhancement project, or operating a facility in the special harvest area in which the  
21 assessment was levied. A permit holder shall use funds appropriated under this  
22 subsection for the purposes set out under AS 16.12.080(a). The legislature may also  
23 appropriate funds collected under this section to the Department of Revenue for costs  
24 incurred by the department under this section.

25 (f) A person who violates a regulation adopted under (b) of this section is  
26 guilty of a violation under AS 16.05.722 or a misdemeanor under AS 16.05.723. A  
27 person who violates a regulation adopted by the Department of Revenue under (c) of  
28 this section is guilty of a class A misdemeanor.

29 (g) In this section,

30 (1) "special harvest area" means an area designated by the  
31 commissioner or the Board of Fisheries where shellfish may be harvested by permit

1 holders under this chapter and by the common property fishery;

2 (2) "value" has the meaning given in AS 43.75.290.

3 **Sec. 16.12.100. Inspection by the department.** (a) A permit holder shall  
4 allow the department to inspect the permit holder's stock rehabilitation facility,  
5 enhancement project facility, or hatchery at any time the stock rehabilitation facility,  
6 enhancement project facility, or hatchery is in operation. The department shall conduct  
7 the inspection in a reasonable manner.

8 (b) The department shall bear the cost of an inspection performed under this  
9 section.

10 **Sec. 16.12.110. Annual report.** A person who holds a permit under this  
11 chapter shall submit an annual report not later than December 15 to the department.  
12 The report must be made on a form prescribed by the department and contain  
13 information pertaining to

14 (1) species;

15 (2) brood stock source;

16 (3) number, age, gender, and size of spawners;

17 (4) number of eggs collected and juveniles produced; and

18 (5) the number, age, gender, and size of harvested shellfish attributable  
19 to releases by the permit holder.

20 **Sec. 16.12.199. Definitions.** In this chapter,

21 (1) "enhancement project" means a project to augment the yield and  
22 harvest of shellfish above naturally occurring levels; enhancement projects include  
23 projects implementing artificial or semi-artificial shellfish production systems or  
24 projects to increase the area of productive natural shellfish habitat;

25 (2) "facility" means a hatchery or other facility for a stock  
26 rehabilitation effort or fishery enhancement project;

27 (3) "genetically modified shellfish" means shellfish whose genetic  
28 structure has been altered at the molecular level by recombinant DNA and RNA  
29 techniques, cell fusion, gene deletion or doubling, introduction of exogenous genetic  
30 material, alteration of the position of a gene, or other similar procedure using artificial  
31 processes;



1 (4) "hatchery" means a facility for the artificial propagation of stock,  
2 including rearing of shellfish and release of shellfish into the natural water of the state;

3 (5) "shellfish" means a species of crustacean, mollusk, or other  
4 invertebrate, in any stage of its life cycle, that is indigenous to state water;

5 (6) "stock rehabilitation" means efforts to restore a shellfish stock to its  
6 natural levels of productivity.

7 \* **Sec. 4.** AS 16.43.400(a) is amended to read:

8 (a) In addition to entry permits, interim-use permits, and educational permits,  
9 the commission may issue special harvest area entry permits to

10 (1) holders of private, nonprofit hatchery permits issued by the  
11 Department of Fish and Game under AS 16.10.400 - 16.10.475 **for salmon; or**

12 **(2) nonprofit organizations holding a permit under AS 16.12 for a**  
13 **shellfish stock rehabilitation effort, a shellfish enhancement project, or a shellfish**  
14 **hatchery.**

15 \* **Sec. 5.** AS 16.43.430 is amended to read:

16 **Sec. 16.43.430. Authorized gear.** For the purposes of harvesting salmon or  
17 shellfish, a special harvest area entry permit holder may employ any fishing gear  
18 designated as legal gear in the applicable special harvest area by the Board of  
19 Fisheries.

20 \* **Sec. 6.** AS 17.20.049(b)(1) is amended to read:

21 (1) "farmed fish" means fish that is propagated, farmed, or cultivated  
22 in a facility that grows, farms, or cultivates the fish in captivity or under positive  
23 control but that is not a salmon hatchery that is owned by the state or that holds a  
24 salmon hatchery permit under AS 16.10.400 or a shellfish hatchery that is  
25 permitted under AS 16.12.010; in this paragraph, "positive control" has the meaning  
26 given in AS 16.40.199;

27 \* **Sec. 7.** AS 43.20.012(a) is amended to read:

28 (a) The tax imposed by this chapter does not

29 (1) apply to an individual;

30 (2) apply to a fiduciary;

31 (3) for a tax year beginning after December 31, 2012, apply to an

1 Alaska corporation that is a qualified small business and that meets the active business  
2 requirement in 26 U.S.C. 1202(e) as that subsection read on January 1, 2012; [OR]

3 (4) for a tax year beginning after June 30, 2007, apply to the income  
4 received by a regional association qualified under AS 16.10.380 or nonprofit  
5 corporation holding a hatchery permit under AS 16.10.400 from the sale of salmon or  
6 salmon eggs under AS 16.10.450 or from a cost recovery fishery under AS 16.10.455;  
7 **or**

8 **(5) apply to income received by a nonprofit corporation holding a**  
9 **permit under AS 16.12.010 from the sale of shellfish under AS 16.12.080 or from**  
10 **a cost recovery fishery under AS 16.12.090.**

11 \* **Sec. 8.** AS 43.20.012(a), as repealed and reenacted by sec. 2, ch. 55, SLA 2013, is  
12 amended to read

13 (a) The tax imposed by this chapter does not apply to

14 (1) an individual;

15 (2) a fiduciary; [OR]

16 (3) the income received by a regional association qualified under  
17 AS 16.10.380 or nonprofit corporation holding a hatchery permit under AS 16.10.400  
18 from the sale of salmon or salmon eggs under AS 16.10.450 or from a cost recovery  
19 fishery under AS 16.10.455; **or**

20 **(4) the income received by a nonprofit corporation holding a**  
21 **permit under AS 16.12.010 from the sale of shellfish under AS 16.12.080 or from**  
22 **a cost recovery fishery under AS 16.12.090.**

23 \* **Sec. 9.** AS 43.76.390 is amended to read:

24 **Sec. 43.76.390. Exemption.** AS 43.76.350 - 43.76.399 do not apply to salmon  
25 **or shellfish** harvested under a special harvest area entry permit issued under  
26 AS 16.43.400.

27 \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
28 read:

29 APPLICABILITY. AS 16.10.400(b), as amended by sec. 2 of this Act, applies to  
30 salmon hatchery permits applied for on or after the effective date of sec. 2 of this Act.

31 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2           TRANSITION: REGULATIONS. The Department of Fish and Game may adopt  
3 regulations necessary to implement this Act. The regulations take effect under AS 44.62  
4 (Administrative Procedure Act), but not before the effective date of the law implemented by  
5 the regulation.

6       \* **Sec. 12.** Section 11 of this Act takes effect immediately under AS 01.10.070(c).

7       \* **Sec. 13.** Section 8 of this Act takes effect on the effective date of sec. 2, ch. 55, SLA  
8 2013.