

# 2019 Annual Report



Photo by ASMI



## Commercial Fisheries Entry Commission



# CFEC Overview

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The seafood industry is Alaska's largest private sector employer and adds approximately \$5 billion dollars into the Alaskan economy each year, benefiting communities from Ketchikan to Kotzebue. The Commercial Fisheries Entry Commission (CFEC) plays a vital role in developing and maintaining the sustainable fisheries and small businesses that underpin Alaska's fishing industry. Annually, CFEC generates about \$7.5 million dollars in user fees from commercial fishermen for the State General Fund.

In 1972, Alaskans voted to amend the constitution to pave the way for the creation of a limited entry permit system. Subsequently, the Alaska Supreme Court recognized that the limited entry program should impinge on the open fisheries clauses of the constitution as little as possible. The limited entry program requires continuous management: CFEC is required to conduct optimum number studies and to ensure the limited entry system does not create an exclusive privilege in Alaskan fisheries and may establish voluntary buyback programs when necessary. Over the years Alaskan courts have scrutinized the limited entry program and developed an extensive body of law, comprised of more than eighty Alaska Supreme Court decisions, which guide CFEC in the administration of its important mandates.

CFEC issues annual permits and vessel licenses to qualified individuals; oversees permit transfers; conducts research and develops fisheries economic data; assesses demerit points on permits to hold violators responsible; and coordinates with state and federal managers to develop fisheries policy. The Commission is composed of two commissioners who are supported by a staff of 21 people. The agency is organized into four sections overseen by an Executive Director, who is responsible for implementing policies and programs established by the Commission to accomplish CFEC's mission.

From the beginning of the Limited Entry program over 45 years ago, CFEC has issued decisions on 22,865 limited entry fishery applications, and in 2019, issued 16,622 limited entry permits. CFEC issues more than 200 open access permits for fisheries that are not yet subject to limitation. In 2019, CFEC provided interim use permits to about 4,333 fishermen who fish in open access and federal fisheries. Approximately 70% of all commercial fishing permits issued by CFEC are held by Alaska residents, most of whom live in rural communities.

CFEC looks forward to working with legislators and fishermen to further the goals of the limited entry program so that Alaska's commercial fisheries can be optimally managed for the benefit of commercial fishermen and the families who depend upon them for their livelihood.

For additional information, see [Appendix I](#), pages 21-22.





# Table of Contents

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<a href="#"><u>Commissioners</u></a> .....	1
<a href="#"><u>Licensing</u></a> .....	2
<a href="#"><u>Adjudications</u></a> .....	3
<a href="#"><u>Data Processing</u></a> .....	4
<a href="#"><u>Research and Planning</u></a> .....	5
<a href="#"><u>Appendix A: Report Requirements</u></a> .....	6
<a href="#"><u>Appendix B: Agency Information</u></a> .....	7
<a href="#"><u>Appendix C: Licensing Statistics</u></a> .....	9
<a href="#"><u>Appendix D: Adjudications Statistics</u></a> .....	12
<a href="#"><u>Appendix E: Data Processing</u></a> .....	14
<a href="#"><u>Appendix F: Research Activities</u></a> .....	16
<a href="#"><u>Appendix G: Statutory Requirements</u></a> .....	18
<a href="#"><u>Appendix H: Recommended Legislation</u></a> .....	20
<a href="#"><u>Appendix I: Background</u></a> .....	21



# Commissioners

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CFEC Commissioners carry out the agency's mission to promote the conservation and the sustained yield management of Alaska's fishery resource and the economic health and stability of commercial fishing in Alaska, by regulating and controlling entry of participants into the commercial fisheries in the public interest and without unjust discrimination. In the context of permit application cases, this requires Commissioners to analyze voluminous evidentiary records and navigate a complex array of laws, regulations, legal precedent (including over 80 Supreme Court decisions), and 45+ years of administrative practice applicable to such matters. In addition, Commissioners issue Final Commission Decisions on a variety of other adjudicative matters such as emergency and permanent transfer requests, permit forfeitures, demerit point assessments, and issues related to liens attached to permits. Such matters require research, briefing, and debate, and some are time-sensitive, because delay can mean loss of fishing time and considerable damages to the permit holder. Commissioners also respond to inquiries from the public, industry, and government officials and adopt new regulations to further the purposes of the Limited Entry Act. The Commissioners are supported in their adjudicative and regulatory endeavors by the agency's Law Specialist.

## 2019 Commissioner Highlights

- Issued Final Commission Decisions in 11 of the remaining 13 application cases; these matters had been pending for many years.
- Issued Final Commission Decisions on about 30 other adjudicative matters over the year, some of which were time-sensitive.
- Proposed and adopted a package of new agency regulations consistent with APA procedures.
- Hired an Executive Director to oversee the administrative and personnel practices and procedures of the Commission, at the direction of the Commissioners.
- Comprehensively reviewed and amended CFEC's Standard Office Procedures, providing staff with improved guidance on internal matters.
- Directed internal audit of permit transfer requests and permit reinstatements granted by Licensing staff to ensure that such decisions are made pursuant to regulatory guidelines and promote individual accountability.
- Hired a new Research Section leader and launched an optimum number study of the Cook Inlet salmon set gillnet fishery.
- Launched comprehensive electronic scanning project to protect CFEC licensing records and improve flow of information.



# Licensing

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The CFEC Licensing Section is staffed with six employees who are committed to serving the licensing and transfer needs of Alaska's commercial fishing industry. Licensing staff are on the front lines at CFEC, assisting commercial fishermen who are confronted by an ever-changing array of complex issues, ranging from biological and economic variables to medical and personal emergencies. Staff members strive to make timely and accurate determinations regarding eligibility, transfers, and renewals, consistent with extensive governing fishery statutes and regulations. Licensing staff works closely with the CFEC Commissioners and Law Specialist to ensure compliance with the Limited Entry Act.

Licensing staff interact with the public daily via telephone, facsimile, email, and written correspondence. They are a source of information for commercial fishermen, answering questions about permitting and licensing regulations affecting the fishing industry. Licensing staff works closely with ADF&G, DCCED, United States Coast Guard (USCG), National Marine Fisheries Service (NMFS), and other agencies to help track changes to the rules and regulations pertaining to Alaska fisheries that impact the issuance of Limited Entry Permits.

## Core Licensing Statistics

- 16,622 Commercial Fishing Permits Issued
- 8,806 Vessel Licenses Issued
- 4,333 Interim-Use Permits in Open Access Fisheries
- 902 Permanent Transfer Requests Processed
- 982 Emergency Transfer Requests Processed
- 30 Interim-Entry Permits in Limited Fisheries

For additional information, see [Appendix C](#), pages 9-11



# Adjudications

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The CFEC Adjudications Section is staffed by a hearing officer and a paralegal. During 2019, the Adjudications Section issued a total of 25 decisions based on administrative hearings; 21 on permanent and emergency transfers; four on miscellaneous matters, such as permit fee refund requests. Decisions issued by the hearing officers and paralegal are reviewed by the Commissioners, who may adopt, modify, or reverse the decisions. There are currently no limited entry permit application cases pending before a hearing officer. As of the end of 2019, no CFEC cases were pending before any court.

Also during 2019, the Adjudications Section received and evaluated 41 applications for permit fee refunds from the Chignik salmon fishery disaster declared by Governor Walker in 2018, making recommendations on each to the Commissioners.

## **Core Functions of the Adjudications Section:**

- Schedule, research, and conduct administrative hearings;
- Write decisions on emergency transfers, permanent transfers, permit fee refund requests, reinstatement of forfeited permit requests, appeals of the assessment of demerit points, and fee arrearages based on residency;
- Assess demerit points and suspend fishing privileges for convicted violators of salmon fishing laws when necessary;
- Receive, record, and prepare for archiving all commercial fish tickets filed within the state;
- Maintain historic Commission records and manage active cases;
- Classify, adjudicate, and maintain a tracking system for limited entry permit applications;
- Research legal or historical information for the Commissioners or for the commercial fishing public when appropriate.

For additional information, see [Appendix D](#), pages 12-13



# Data Processing

The Data Processing (DP) consists of a small, highly skilled and responsive staff that must be flexible and proficient in several disciplines. This includes the installation and maintenance of network hardware, such as switches, routers, servers, printers, cabling and storage area networks. The DP Section is also responsible for the installation and maintenance of desktop hardware including personal computers, printers, embossers and other equipment. DP maintains technical support for office staff and customers. DP staff is responsible for data integrity; application development; maintenance of a wide array of software centered on CFEC's core mission; and, the reliable and timely distribution of data to other agencies, fishing organizations and the general public. DP maintains local resources such as web services, network operating systems, shared storage, network topology, file services, digital security, database services, IP telephony, and performs all other DP related tasks. DP solutions at the Commission are organic, efficient, and provided in-house.

## Core Services Provided by Data Processing:

- Technology Infrastructure & Networking
- Software & Updates
- Application Development
- Security
- Oracle Database Management
- Technical Support & Service
- Legacy Application Services
- Server Virtualization
- Enhanced Desktop Utilities
- Website Design & Maintenance
- High Availability of Computer Services
- Gross Earnings Data

For additional information, see [Appendix E](#), pages 14-15



# Research and Planning

The Research & Planning Section provides the Commission with studies on fishery limitations, management of entry permits to optimum levels, fishery economic analyses, permit reports, and any necessary support specific to cases before the Commission. In addition, the Research Section issues many standard and specialized reports that are used by a variety of people and fishing entities to address a range of issues related to commercial fishing. The foundation for much of the work produced by the Research Section resides in several large electronic databases. Research Section and Data Processing collaborate in monitoring and maintaining the integrity of data in the Gross Earnings databases. Much of the data is in turn shared with ADF&G, NMFS and the North Pacific Fishery Management Council through the Alaska Fisheries Information Network. This data allows CFEC and others to provide services to local, State and Federal government agencies and policymakers, the Alaska Legislature, researchers, consultants, and other nongovernmental organizations.

## Core Functions of the Research and Planning Section:

- Fishery Limitation Research and Optimum Number Analyses for Limited Entry Fisheries ([page 18](#))
- Economic Reporting
- Buyback Consultations & Implementation ([page 19](#))
- Permit Value Reports
- Published Reports ([page 17](#))
- Data Collaboration and Integrity
- Regulatory Proposal Review and Comment
- Data Sharing with Agencies and Private Sector
- Permit Holder Surveys & Ex-Vessel Price Estimates
- Fisheries Monitoring

For additional information, see Research Supplemental [Appendix F](#), pages 16-17





# Appendix A: Report Requirements

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A progress report on the review of entry permits to optimum levels [\[AS 16.43.980\(a\)\(1\)\]](#).

- Limited Entry and Optimum Levels of Permits [page 18](#)
  - Southeast Alaska Salmon Purse Seine Buyback [page 19](#)
  - Cook Inlet Eastside Setnet Buyback Legislation [page 19](#)
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Recommendations for additional legislation relating to the regulation of entry of participants and vessels into Alaska commercial fisheries [\[AS 16.43.980\(a\)\(2\)\]](#).

- Demerit Point System [page 20](#)

*The Commercial Fisheries Entry Commission Annual Report is published in accordance with [AS 16.43.980](#).*



# Appendix B: Agency Information

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## State of Alaska

### Governor

Michael Dunleavy

### Lt. Governor

Kevin Meyer

### Commissioners

Fate Putman, Chair

Dale Kelley

## Mailing Address

CFEC

P.O. Box 110302

Juneau, AK 99811-0302

(907) 789-6160 Reception

(907) 789-6150 Licensing

(907) 789-6170 Facsimile

## Office Location

Jordan Creek Center

8800 Glacier Hwy, Suite 109

Juneau, Alaska

## Internet Address

<https://www.cfec.state.ak.us>



# Appendix B: Agency Information

## 2019 Commission Employees

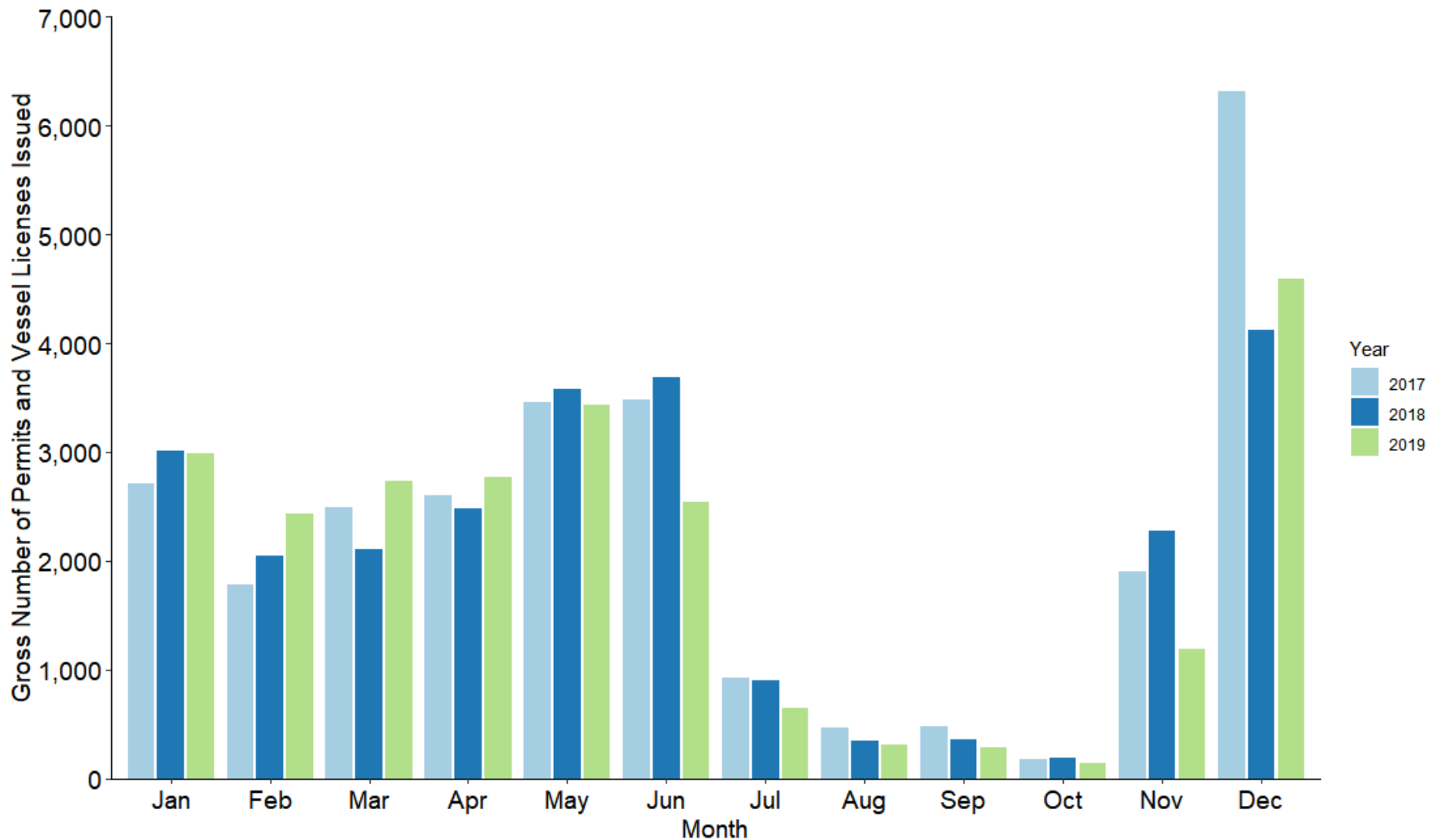
<b>Commission</b>	Fate Putman	Commissioner, Chair	<b>Adjudications</b>	Nicole Lynch	Leader
	Dale Kelley	Commissioner		Frank Glass	Leader/Hearing Officer*
				Randy Lippert	Paralegal
<b>Administration</b>	Jon Haghayeghi	Executive Director	<b>Data Processing</b>	Ty McMichael	Leader
	Jason Kampman	Law Specialist		Don Huntsman	Analyst Programmer
	Fred Harmon	Office Assistant		Joe Kollar	Analyst Programmer
	Vacant	Commission Assistant		David Pearce	Network Specialist
<b>Licensing</b>	Mele Maake	Leader	<b>Research and Planning</b>	Brad Robbins	Leader
	Suzanne Rumfelt	Transfer Officer		Vacant	Fisheries Analyst
	Kristie Urry	Transfer Clerk		Daniel Strong	Research Analyst
	Kyle Scholl	Transfer Clerk		Craig Farrington	Leader*
	Ranelle Hinchman	Permit Clerk		Marcus Gho	Economist/Leader*
	Carmella DeLeon	Permit Clerk			

\* No longer with CFEC



# Appendix C: Licensing Statistics

Permits and Vessel Licenses Processed by Month, 2017-2019







# Appendix C: Licensing Statistics

## Counts of Permits by Fee Range

Fee Range (In Dollars)	2015	2016	2017	2018	2019
	<b>Waived</b>	1,194	1,971	2,096	1,961
<b>\$75 to \$375</b>	12,507	11,477	11,361	11,310	10,769
<b>Over \$375 to \$750</b>	2,961	3,368	4,115	3,713	4,148
<b>Over \$750 to \$1,125</b>	910	1,005	146	450	5
<b>Over \$1,125 to \$1,500</b>	630	249	236	249	255
<b>Over \$1,500 to \$2,999</b>	145	168	103	104	224
<b>\$3,000 Fee Cap</b>	521	518	461	450	423
<b>Total</b>	18,868	18,756	18,518	18,237	17,339

There are 40 separate categories for CFEC permit fees, ranging from \$75 to \$3,000 in increments of \$75 dollars. The table above displays the number of permits issued by category. Renewal fees are calculated using the estimated permit value as of June of a given year. The final fee is calculated by multiplying the permit value by four-tenths of one percent, then rounding to the nearest fee class, with a fee cap of \$3,000. For open access fisheries or fisheries with inadequate data, fees are calculated using the most recent 3 years of gross earnings, then applying the weighted average to the same formula.

## Vessel Fee Categories

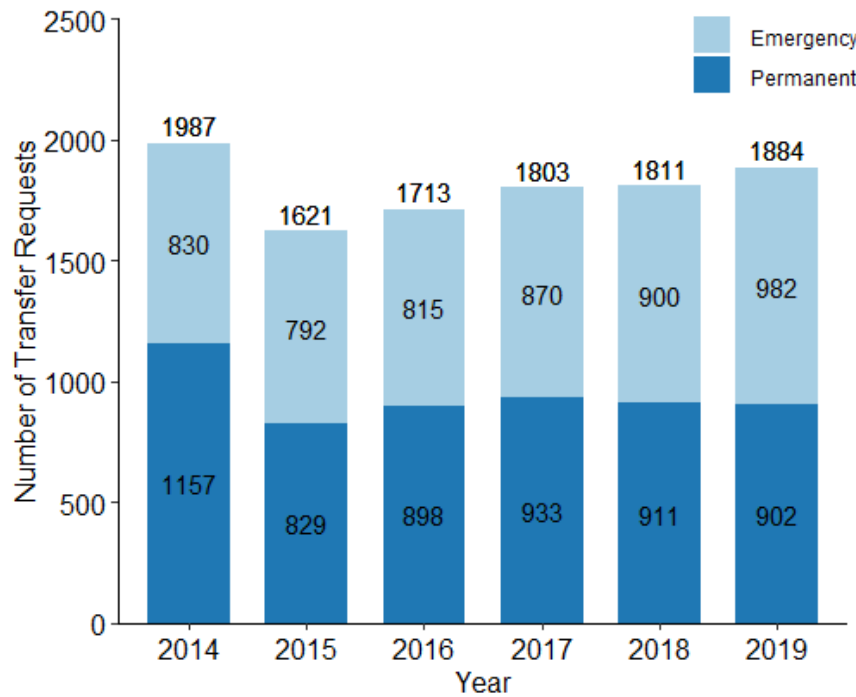
Fee Category Based on Overall Length of Vessel	License Fee	Number of Vessels Licensed
Vessels to 25'	\$24	2,421
Over 25'-50'	\$60	5,065
Over 50'-75'	\$120	818
Over 75'-100'	\$225	210
Over 100'-125'	\$300	155
Over 125'-150'	\$375	56
Over 150'-175'	\$450	35
Over 175'-200'	\$525	21
Over 200'-225'	\$600	5
Over 225'-250'	\$675	3
Over 250'-275'	\$750	12
Over 275'-300'	\$825	5
Over 300'	\$900	11
<b>2019 Total</b>		8,817

There are 13 separate categories for CFEC vessel fees determined by vessel length ranging from 25 feet to 300 feet and up in increments of 25 feet. The vessel license fee is based on the United States Coast Guard definition of overall length, as stated in [46 USC 2101 28\(b\)](#).



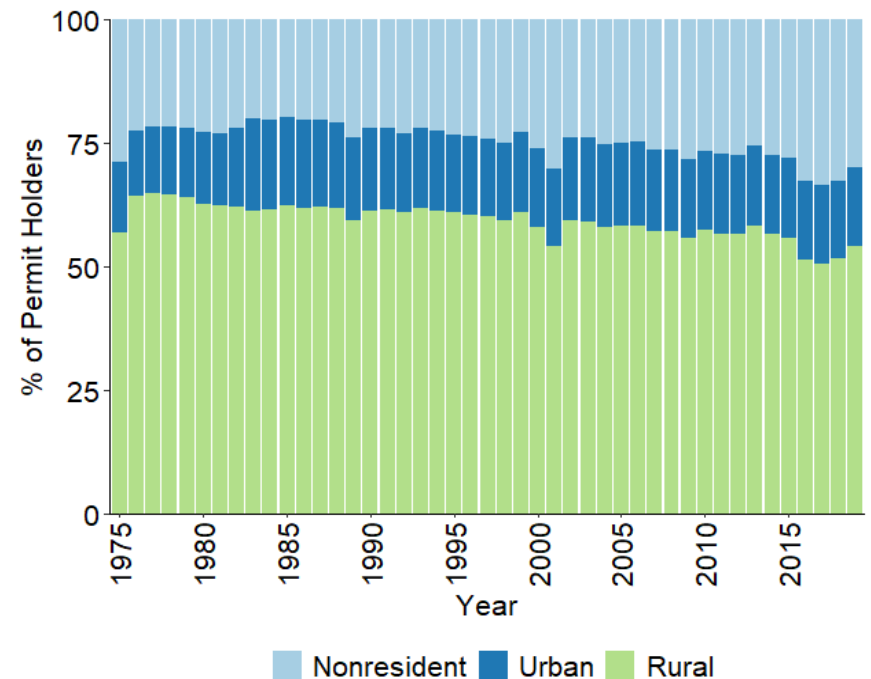
# Appendix C: Licensing Statistics

Permanent and Emergency Transfer Requests Reviewed



In 2019, Licensing staff reviewed 1,884 requests for permanent and emergency transfers of permits. This included 982 emergency and 902 permanent transfer requests.

Residency of Limited Entry Permit Holders, 1975-2019

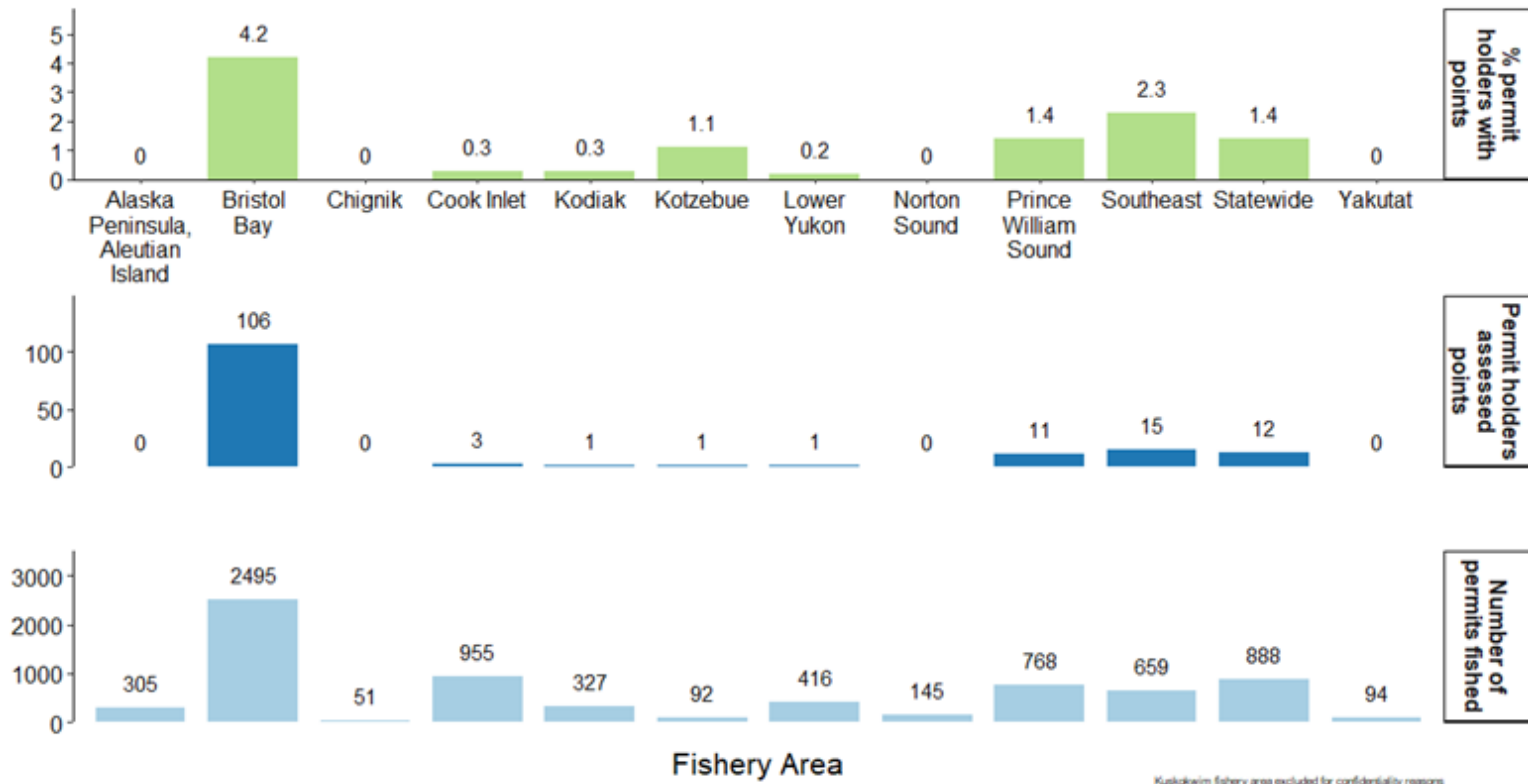


Urban and rural community designations are based on information from the 2010 U.S. Census. In many regions of Alaska there are no urbanized areas. For example, in the Bristol Bay region every community is considered rural. In 2019, 16,622 limited entry permits were held by 8,976 Rural Alaskans (54%), 2,633 Urban Alaskans (16%), and 5,013 Non-residents (30%).



# Appendix D: Adjudications Statistics

Demerit Points Assessed in 2019



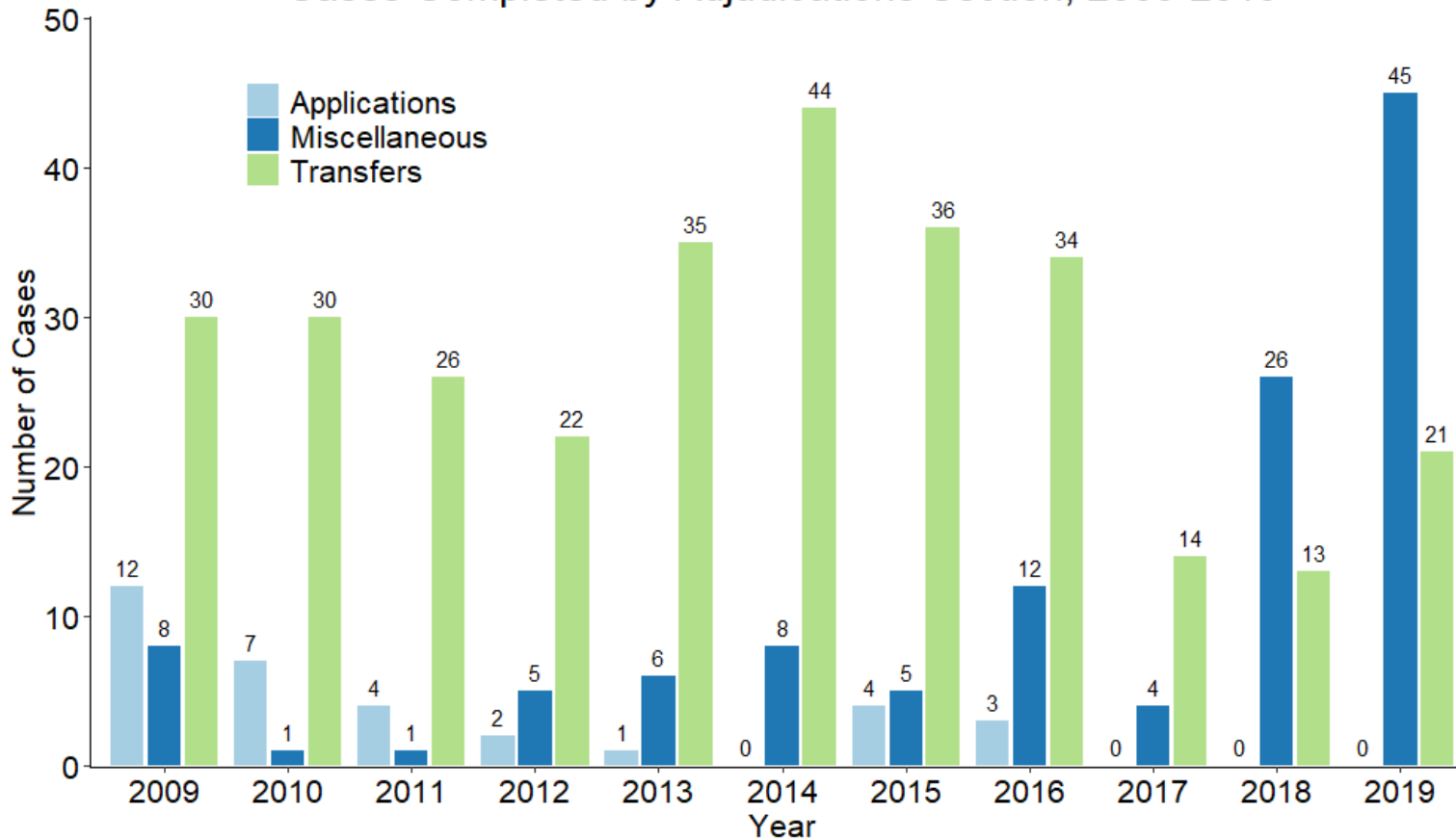
In 1998, the Alaska Legislature established a demerit point system for suspending commercial salmon fishing privileges based on convictions for fishing violations in the salmon fisheries. Under this law, the Commission must suspend a salmon permit holder’s commercial fishing privileges for a period of one to three years if certain threshold levels of demerit points are accumulated in a three-year period.

See [Appendix H](#), Page 20 for a discussion of the Demerit Point System.



# Appendix D: Adjudications Statistics

Cases Completed by Adjudications Section, 2009-2019



The Adjudications Section is made up of hearing officers and a paralegal.

As detailed in this graph, miscellaneous cases include requests for reinstatement or refunds, including the Chignik disaster; demerit point assessment appeals; and enforcement proceedings. Transfer cases refers to appeals of the denials of emergency and permanent transfers of permits. Application cases refers to original Limited Entry Permit applications.





# Appendix E: Data Processing

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## Data Processing Opportunities and Active Projects

The Data Processing (DP) Section consists of four CFEC staff that are responsible for maintaining and improving CFEC's databases, proprietary applications, and agency hardware. The DP team continues to automate and alter long-standing methodologies to improve efficiency, enabling the agency to thrive under resource constraints. DP staff continue to refine CFEC systems and explore opportunities for improvement.

### Gross Earnings Database

Gross Earnings refers to a database and reporting system created, maintained, and operated by staff at CFEC. The Gross Earnings Database is built by combining ADF&G and International Pacific Halibut Commission (IPHC) fishery harvest data with data from the CFEC Licensing System. The data is also enhanced with CFEC estimates of ex-vessel fish and shellfish prices and can be queried for various information. The database is maintained for all fishing years from 1975 forward.

The Gross Earnings Database is maintained by CFEC for both internal and external needs, and is shared with other state and federal entities for a wide range of fishery-related topics. One important feature of the database is the Gross Earnings Reporting System, which generates a large number of web pages, PDF reports, and downloadable data available on the CFEC Public Web Site (e.g. '[Fishery Participation and Earnings](#)'). In 2018, DP staff made additional improvements to the Gross Earnings database, to make it more readily accessible for Research staff.

### Automated Workstations

CFEC DP continues to improve Limited Entry Online Renewal System (LEON) automation, which allows online license renewal transactions to be automatically entered into the Licensing system and provide necessary materials for Licensing staff. Online transactions now account for more than half of the total annual renewal traffic. This automation, coupled with the fishing public's growing awareness and use of CFEC's online resources, will greatly reduce processing time for staff and allow for more interaction on issues of specific concern to permit holders, vessel owners, partner agencies, and the general public .



# Appendix E: Data Processing

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## Data Processing Opportunities and Active Projects

### Reduced Mailing Costs

DP's automated LEON system has already helped CFEC reduce costs. For several decades, renewal packets consisting of personalized forms, notices, and other industry or fishery-specific information were mailed to permit holders and vessel owners. This was a very expensive process considering that CFEC sent approximately 17,000 mail-outs each year. In 2018, CFEC stopped mailing large packages in lieu of postcards with personalized data and a link to our online renewal application. The savings were tremendous, and as a result it drove more traffic online. In 2019, we have seen a 100% increase in the number of individuals who utilized the online renewal system. Currently, 60% of permit renewals are completed online and this trend continues to grow.

### Cross Training

CFEC has seen a significant reduction of staff in recent years and is actively pursuing opportunities to cross train personnel for multiple duties, even between divisions. This proved beneficial in 2019 when DP staff stepped in to assist Licensing Section and Administration during the busiest times of the year and when we experienced unexpected staff vacancies. Cross-training of multiple jobs functions will also help provide a more consistent level of workload throughout the year, as well as provide a backup solution when employees utilize personal and sick leave.



# Appendix F: Research Activities

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The Alaska Board of Fisheries took up several proposed regulation changes that could have had implications for Alaska's limited entry program. The Research Section provided the Alaska Board of Fisheries economic reports for its January Arctic/Yukon/Kuskokwim finfish, February Chignik and Alaska Peninsula finfish, and December Lower Cook Inlet finfish meetings. Additionally, the Research Section provided information upon request to the Alaska Legislature regarding permit transfer activity and latency in the Upper Cook Inlet salmon set gillnet fishery.

For the first time in 2019, the Research Section published a report that provided insight into the distribution of earnings over time in the 19 original limited salmon fisheries in addition to the annual gross earnings mean and quartile report for each of the limited fisheries.

Monthly permit value reports for all limited entry permits in the state were also published. These are used by the Alaska Commercial Fishing and Agriculture Bank; the Department of Commerce, Community, and Economic Development's Commercial Fishing Loan Program; and brokers of fishing permits to understand the value of limited entry permits for loan and sale purposes.

Research continued to monitor basic economic conditions found in the Cook Inlet salmon set gillnet fishery including economics for those set gillnet with and without DNR shore fishery lease sites. The research section began a study into the optimum number of Cook Inlet set gillnet fishery permits in late 2019.

Research produced exvessel price estimates for all species of fish harvested in Alaska fisheries in 2018. The estimates are performed in the following year (done in 2019 for the 2018 season), due to the time lag to obtain adjustments made by fish processors after the end of the season. Research's exvessel price estimates are essential to understanding the basic economics of Alaska's fisheries, and are used in the NMFS Groundfish Observer Fee Program to oversee and maintain Alaska's substantial groundfish fisheries.



# Appendix F: Research Activities

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## Published Reports in 2019

In 2019, Research published the following broad-based informational reports intended to inform the Alaska Legislature, Alaska Board of Fisheries, ADF&G fishery managers, other agencies and regulatory bodies, and the fishing community at large. Previous year's reports are available on the CFEC web site, <https://www.cfec.state.ak.us/Publications/year.htm>.

[CFEC Permit Holdings and Estimates of Gross Earnings in the Chignik and Alaska Peninsula Commercial Salmon Fisheries, 1975-2017. CFEC Report No. 19-1N](#)

[Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2018. CFEC Report No. 19-2N](#)

[CFEC Salmon Set Gillnet Permits and DNR Shore Fishery Leases in Prince William Sound, Cook Inlet, Kodiak, Alaska Peninsula, and Bristol Bay 1975-2018. CFEC Report No. 19-3N](#)

[Emergency Transfer's of Alaska's Commercial Fisheries Limited Entry Permits, 1975-2018. CFEC Report No. 19-4N](#)

[A Review of the Original Nineteen Limited Salmon Fisheries, 1975-2018. CFEC Report No. 19-5N](#)

[Mean and Quartile Estimated Gross Earnings \(in 2018 Dollars\) for Alaska's Limited Commercial Fisheries, 1975-2018. CFEC Report No. 19-6N](#)

[CFEC Permit Holdings and Estimates of Gross Earnings in the Cook Inlet Commercial Salmon Fisheries, 1975-2018. CFEC Report No. 19-6N](#)

[CFEC Permit Holdings and Estimates of Gross Earnings in the Kodiak Commercial Salmon Fisheries, 1975-2018. CFEC Report 19-8N](#)





# Appendix G: Statutory Requirements

## Limited Entry and Optimum Levels of Permits

CFEC performs multiple functions that benefit the economic well-being of commercial fishermen, including monitoring the health of the 200+ open access commercial fisheries; adjudicating permit applications for limited entry permits; issuing commercial fishing permits and vessel licenses to qualified applicants; enforcing statutory requirements governing permanent and emergency permit transfers; suspending salmon fishing privileges for frequent violators of commercial fishing rules; and promulgating regulations to further the purposes of the Limited Entry Act, including the defining of “optimum” levels of participation in each limited entry fishery.

The initial step for establishing an optimum number in a given fishery is conducting a comprehensive economic study on the fishery. Each study must be based on accurate data and objective economic analysis particular to the unique aspects of that fishery, including an analysis of the average cost of doing business which tends to differ significantly based on gear type, season length, location, and a host of other factors. As part of that process, CFEC will need to gather relevant personal and financial information from individual fishermen. Based on the results of the study, CFEC will propose a regulation that would establish an optimum number or range of numbers for the fishery. That proposed regulation will be subject to public review and comment. Once that process is complete, the optimum number will become a regulatory standard for that fishery.

To date, CFEC has limited entry for 68 fisheries (two have since been statutorily rescinded). Optimum numbers have been established for three fisheries: 1) the Southeast sac roe herring purse seine fishery, 2) the Northern Southeast sablefish longline fishery, and 3) the Bristol Bay salmon drift gillnet fishery. As CFEC continues in its efforts to develop the limited entry program, we will direct more resources to conducting optimum number studies on limited fisheries in accordance with our statutory obligations. Pursuant to that commitment, in 2019 CFEC launched an optimum number study for the Cook Inlet salmon set gillnet fishery. In addition, CFEC is currently developing strategies for gathering information that will be useful for studies in all remaining limited entry fisheries. The optimum numbers generated from these studies will serve as important landmarks for working with the Department of Fish and Game, fishermen, and policymakers to adjust limited entry permit systems when necessary to achieve optimum levels.

As required by [AS 16.43.980 \(a\)\(1\)](#)



# Appendix G: Statutory Requirements

## **Southeast Alaska Salmon Purse Seine Buyback**

The Southeast Alaska Purse Seine Salmon Fishery (S01A) buyback program began in 2008 with a pilot project financed with a \$3 million federal grant to purchase and retire 36 of 415 S01A limited entry permits. In 2002, the Alaska State Legislature enacted AS 16.40.250, to allow permit holders to form non-profit associations for the purpose of promoting fishing fleet consolidation; this led to the creation of Southeast Revitalization Association (SRA) in 2004.

In October 2011, National Marine Fisheries Service (NMFS) published final regulations for a voluntary Fishing Capacity Reduction Program for the Southeast Alaska Purse Seine Salmon Fishery, which included an industry fee system to repay a \$23.5 million federal loan over 40 years. The S01A fleet voted by referendum to support the buyback and commit the remaining seine permit holders to repay the loan with a landing assessment; this assessment has ranged from 1.5% to 3.0%. The buyback program was administered by SRA. More than \$13.1 million of the original loan was utilized in 2012 to purchase 64 S01A permits. At the request of SRA, NMFS conducted a referendum for a second buyback in 2016-17 that was unsuccessful.

In 2018 SRA submitted a third fleet reduction plan to NMFS to buyback 36 more S01A permits. CFEC commented on the plan and NMFS approved it in early 2019. As part of the consultation and selection requirements under §600.1107, CFEC reviewed the bids for consistency and completeness prior to the referendum. A vote was concluded in March 2019 and resulted in the fleet supporting the loan and fee package. At that time there were 315 S01A seine permits; 242 (77%) of the permits were fished during the 2018 season. On April 11, 2019, CFEC retired 36 S01A permits and that same month NMFS reimbursed permit holders with the remaining loan monies. Currently, there are 279 S01A permits.

## **Cook Inlet Eastside Setnet Buyback Legislation**

For many years, fishermen in Cook Inlet have discussed a potential buyback of S04H permits in the Cook Inlet salmon set gillnet fishery. In 2008, the Cook Inlet Salmon Task Force reviewed the matter and further discussions among interested parties led to the formation of Cook Inlet Revitalization Association (2015) and Eastside Consolidation Association (2017), as qualified salmon fishery associations under AS 16.40.250, for the purpose of promoting fleet consolidation for limited entry salmon fisheries. Consolidation can include buyback programs. The 31st Alaska Legislature saw the introduction of SB90, which would establish a buyback program for those Cook Inlet S04H setnet permits being fished on the eastside of Cook Inlet's Upper Subdistrict, also known as the Eastside setnet fishery. Had SB90 passed, CFEC was prepared to engage with permit holders and other State agencies to determine how best to proceed with the buyback.

CFEC Annual Reports: [https://www.cfec.state.ak.us/mnu/Annual\\_Reports.htm](https://www.cfec.state.ak.us/mnu/Annual_Reports.htm)



# Appendix H: Recommended Legislation

**The CFEC demerit point system could be expanded from the current model, which applies only to commercial salmon permits, to a system that applies to all types of commercial fishing permits.**

Pursuant to AS 16.43.850, CFEC assesses demerit points against permit holders upon receipt of notice from a court that the permit holder was convicted of an applicable **salmon** fishery violation [AS 16.43.850(b); AS 16.43.880(a)]. The amount of points assessed varies according to the nature of the violation; for example, a conviction for fishing in closed waters generates 6 demerit points [AS 16.43.850(b)(1)]. CFEC suspends the fishing privilege of a violator who accumulates a sufficient number of points within a 36-month period in a particular salmon fishery [AS 16.43.850 (d)(1)-(3)].

Under the current demerit point system, points may only be assessed for convictions arising from unlawful participation in a salmon fishery [AS 16.43.850(b)]. CFEC is not authorized to assess points for convictions arising from unlawful participation in other types of fisheries (i.e. crab, sablefish, halibut). Furthermore, suspensions only prevent frequent violators from participating in the particular salmon fishery in which he or she generated the demerit points [AS 16.43.860(a)]. For example, a fisherman suspended for accumulating too many points in the Bristol Bay drift gillnet fishery, is not prevented from participating in other salmon fisheries (i.e. other administrative areas and/or gear types) or other types of fisheries (crab, sablefish, halibut, etc.).

It should be noted that under AS 16.05.710, a court may suspend a commercial fishing permit upon a misdemeanor or felony conviction arising from unlawful participation in a fishery. Upon receipt of the appropriate court order, the CFEC can and will effectuate such suspensions for the specified period of time. However, this provision is not commonly utilized and requires proactive participation by judges and prosecutors. CFEC recommends a more effective means of holding repeat violators responsible by expanding the current demerit point system so that it applies to all types of commercial fisheries, not just salmon.

For details of demerit points issued by salmon fishery area, see page 12.



# Appendix I: Background

## CFEC and Alaska's Fishing Industry

The seafood industry contributes in excess of \$5 billion dollars to Alaska's economy each year and creates another \$8 billion in value for the rest of the nation; it is comprised of thousands of small business operators who in 2018 paid over \$172 million in commercial fishing related taxes, fees, and assessments.<sup>1</sup> Since statehood, commercial fishermen have landed over 181 billion pounds of seafood; most Alaska seafood is sold to U.S. consumers. If Alaska was a country, it would rank 8th in the world for the export of seafood,<sup>2</sup> with more than 20 Alaska communities consistently listed among the top U.S. fishing ports.<sup>3</sup> Seafood provides nearly 60,000 direct jobs - more than any other private sector industry in Alaska - and is responsible for \$2.1 billion in payroll and eight percent of the state's jobs.<sup>4</sup> In 2019, 54% of limited entry permits were held by Rural Alaskans, 16% by Urban Alaskans and 30% by Non-residents. Commercial fishermen employ crew members and engage in commerce with banks, marinas, and service industries across the state. The Commercial Fisheries Entry Commission (CFEC) is fully funded by the commercial fishing sector and plays an essential role in developing and sustaining this vital industry.

In 1973, CFEC was tasked with curtailing the unrestricted growth of entry into commercial fishing. Between 1960 and 1972, the number of gear licenses issued in the Alaska salmon fisheries nearly doubled. Many of the new entrants worked primarily in other fields, which allowed them to commercially fish even when returns were marginal. The increased competition put downward pressure on harvest and price, creating an economic crisis for professional fishermen who relied heavily on local fish stocks for their livelihoods. Early attempts to limit entry were struck down under the Alaska Constitution, which guarantees open access to fisheries.<sup>5</sup> In 1972, amidst calls from distressed fishermen and government leaders, the people of Alaska voted overwhelmingly to amend the constitution and provide for limited entry. This action paved the way for passage of the Limited Entry Act the following year, which fundamentally changed the way commercial fishing is governed in Alaska.

[1] [The Economic Value of Alaska's Seafood Industry](#), McDowell 2020.

[2] [The Economic Value of Alaska's Seafood Industry](#), McDowell 2017.

[3] [Total Commercial Fishery Landings At Major U. S. Ports](#), NOAA Fisheries, 2019.

[4] [The Economic Value of Alaska's Seafood Industry](#), McDowell 2020.

[5] [Alaska Constitution](#), Article VIII, Sections 3 and 15.

The Limited Entry Act established CFEC, which is a quasi-judicial agency charged with *regulating and controlling entry of participants into the commercial fisheries in the public interest and without unjust discrimination*.<sup>6</sup> The limited entry program must impinge on the open fishery clauses of the Alaska Constitution as little as possible, and only as is consistent with CFEC's constitutional purpose: *...resource conservation and to prevent economic distress among fishermen and those dependent upon them for a livelihood*.<sup>6</sup>

During limited entry's 46 year history, Alaska's courts have scrutinized the program and developed an extensive body of law comprised of more than eighty Alaska Supreme Court decisions, which guides CFEC in the administration of its important mandates.

To fulfill its duties, CFEC is empowered to limit access to fisheries, issue and transfer permits and vessel licenses, set optimum numbers of participants, hold violators responsible by assessing demerit points on permits, conduct investigations, subpoena evidence, hold administrative hearings, and adjudicate claims. To support these efforts, CFEC staff conducts research, develops and analyzes economic data, and coordinates with state and federal fishery managers to establish fisheries policies.

The complexity of the limited entry statutes demands a significant regulatory framework. In 2019, CFEC issued 26,249 limited and open access fishing and vessel licenses, processed a total of 1,882 permit transfers, and collected \$7.5 million dollars in user fees from commercial license holders. This was used by the state to fund CFEC and portions of Alaska's sustainable fishery management program, and to fuel the Alaska Fishermen's Fund<sup>7</sup>, which provides aid to fishermen who get injured on the job.

CFEC continues to evolve to meet the changing needs of fishermen. In addition to the critical duties described above, much more work remains to be done: over 200 permit types that remain open access must continually be monitored for possible limitation; the limited fisheries must be evaluated for optimum numbers; proposals for fisheries restructuring and alternative gear types must be evaluated; voluntary buyback programs must be implemented; fishermen must be provided a fair hearings process conducted by knowledgeable hearing officers; and, permit fees must be collected in a fair manner and tailored to the fluctuating value unique to each fishery.

CFEC remains committed to working with resource managers, policymakers, and fishermen to maintain robust, sustainable fish populations, while serving the unique needs of Alaska permit holders, thus ensuring that the next generation of fishermen can take the wheel of this vital Alaskan industry.



[6][AS 16.43.010](#)

[7][Alaska Fishermen's Fund](#)