

# 2018 Annual Report



Photo by Nick Hall



## Commercial Fisheries Entry Commission



# Commercial Fisheries Entry Commission 2018 Annual Report

## CFEC Overview

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 system 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 carefully scrutinized the limited entry program and developed an extensive body of law, comprised of more than eighty Supreme Court decisions, which guide CFEC in the administration of its important mandates.

CFEC is a quasi-judicial agency empowered with the authority to conduct investigations, subpoena evidence, hold administrative hearings and adjudicate claims. The Commission operates with a staff of 21 people, who are organized into four sections headed by two appointed commissioners. 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.

From the beginning of the Limited Entry program over 45 years ago, CFEC has granted 16,720 permits in 68 limited entry fisheries. CFEC issues more than 200 permit types for fisheries that remain open access and are not yet subject to limitation by CFEC. CFEC provides interim use permits to about 4,500 fishermen who fish in open access and federal fisheries. Approximately 77% of all commercial fishing permits issued by CFEC are held by Alaska residents, roughly half of whom live in rural communities.

CFEC looks forward to working with legislators and fishermen to modernize and streamline 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.



# Table of Contents

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<a href="#">Licensing</a> .....	1
<a href="#">Adjudications</a> .....	2
<a href="#">Information Technology</a> .....	3
<a href="#">Research and Planning</a> .....	4
<a href="#">Appendix A: Report Requirements</a> .....	5
<a href="#">Appendix B: Agency Information</a> .....	6
<a href="#">Appendix C: Licensing Statistics</a> .....	8
<a href="#">Appendix D: Adjudications Statistics</a> .....	11
<a href="#">Appendix E: Information Technology</a> .....	13
<a href="#">Appendix F: Research Activities</a> .....	15
<a href="#">Appendix G: Statutory Requirements</a> .....	17
<a href="#">Appendix H: Recommended Legislation</a> .....	19
<a href="#">Appendix I: Background</a> .....	20



# Commercial Fisheries Entry Commission 2018 Annual Report

## Licensing

The CFEC Licensing Section is staffed with six employees that are committed to serving the 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 on a daily basis via telephone, facsimile, email and through written correspondence, as a source of information for commercial fishermen; answering questions about permitting and regulations affecting the fishing industry.

Licensing staff maintains a close working relationship with ADF&G, DCCED, United States Coast Guard (USCG), the National Marine Fisheries Service (NMFS), and other agencies, to help track changes with the rules and regulations pertaining to Alaska fisheries that impact the issuance of Limit Entry Permits.

### Core Services Provided by Licensing Section:

- ➔ 68,107 Managed Phone Calls
- ➔ 13,974 Limited Entry Permits
- ➔ 18,456 Total Permits
- ➔ 34 Interim-Entry Permits Issued in Limited Fisheries
- ➔ 4,448 Interim-Use Permits Issued in Open Access Fisheries
- ➔ 1,811 Transfer Requests Processed
- ➔ 25 Special Harvest Area Permits Issued
- ➔ 2 Educational Entry Permits Issued
- ➔ 2 Mariculture Permits Issued
- ➔ 8,921 Vessel Licenses Issued (All Categories)

For additional information, see [Appendix C](#), pages 8-10



# Commercial Fisheries Entry Commission 2018 Annual Report

## Adjudications

The CFEC Adjudications Section is staffed by hearing officers and a paralegal. During 2018, the hearing officer and paralegal issued a total of 15 decisions based on administrative hearings; 13 on permanent and emergency transfers; two on miscellaneous matters, such as permit fee refund requests. Decisions issued by the hearing officer 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 or paralegal. As of the end of 2018, no CFEC cases were pending before any court.

Also during 2018, the Adjudications Section received and evaluated 24 applications for permit fee refunds from the Chignik salmon fishery disaster declared by Governor Walker, making recommendations on each to the commissioners. This project is ongoing into 2019 with a refund application deadline of February 15, 2019.

### 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 11-12



## Information Technology

The Information Technology (IT) Section is responsible for technology infrastructure at CFEC. IT maintains 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 IT Section is also responsible for the installation and maintenance of desktop hardware including personal computers, printers, embossers and other equipment. IT maintains technical support for office staff and customers. IT staff is responsible for data integrity; application development and 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. IT 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 IT related tasks. IT solutions at the Commission are organic, efficient and are provided internally.

### Core Services Provided by Information Technology Section:

- ➔ 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 13-14



# Commercial Fisheries Entry Commission 2018 Annual Report

## 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 IT 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 Limitations and Reduction of Entry Permits to Optimum Levels ([page 17](#))
- ➔ Statutory Responsibilities
- ➔ Economic Reporting
- ➔ Buyback Reviews and Assessments ([page 18](#))
- ➔ Permit Value Report
- ➔ Analytical Reports ([page 16](#))
- ➔ Data Collaboration and Integrity
- ➔ Regulatory Proposals
- ➔ Data Sharing with State, Feds and Private Sector
- ➔ Permit Holder Surveys Ex-Vessel Price Estimates
- ➔ Fisheries Review

For additional information, see Research Supplemental [Appendix E](#), pages 15-16



## Appendix A: Report Requirements

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 17](#)
- ➔ Southeast Alaska Salmon Purse Seine Buyback [page 18](#)
- ➔ Cook Inlet Eastside Setnet Buyback [page 18](#)

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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 19](#)



## Appendix B: Agency Information

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### State of Alaska

#### Governor(s)

Michael Dunleavy, sworn in 12/03/2018  
Bill Walker

#### Lt. Governor(s)

Kevin Meyer, sworn in 12/03/2018  
Byron Mallott, through 10/16/2018  
Valerie Davidson, sworn in 10/16/2018

#### Commissioners

Fate Putman, Chair  
Dale Kelley, appointed 03/01/2018  
Bruce Twomley, Chair, retired 03/01/2018

### 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>



# Commercial Fisheries Entry Commission 2018 Annual Report

## Appendix B: Agency Information

### 2018 Commission Employees

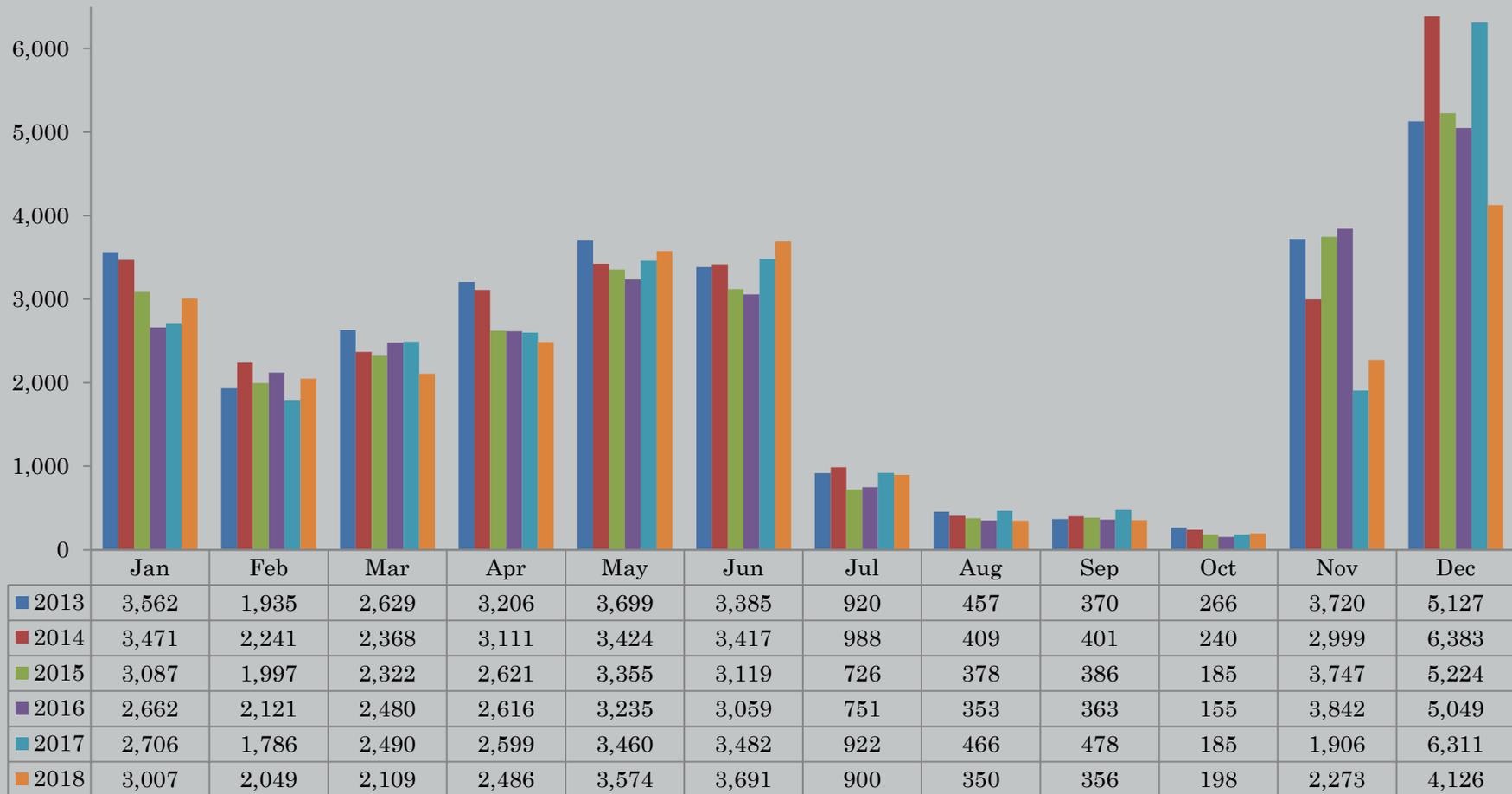
<b>Commission</b>	Fate Putman	Commissioner, Chair	<b>Adjudications</b>	Nicole Lynch	Leader (hired 09/29/18)
	Dale Kelley	Commissioner		Frank Glass	Leader/Hearing Officer
	Bruce Twomley*	Commissioner (retired 03/01/18)		Randy Lippert	Paralegal
	Jason Kampman	Law Specialist			
<b>Administration</b>	Vacant	Executive Director	<b>Information Technology</b>	Ty McMichael	Leader
	Emily Timm*	Commission Assistant		Don Huntsman	Analyst Programmer
	Fred Harmon	Receptionist		Joe Kollar	Analyst Programmer
<b>Licensing</b>			<b>Research and Planning</b>	David Pearce	Network Specialist
	Mele Maake	Leader		Craig Farrington	Leader
	Suzanne Rumfelt	Transfer Officer		Marcus Gho	Economist
	Kayla Lanz	Transfer Clerk		Daniel Strong	Research Analyst
	Kyle Scholl	Transfer Clerk			
	Ranelle Hinchman	Permit Clerk			
	Kristie Urry	Permit Clerk			
Kim Andrews*	Transfer Officer				

\* No longer with CFEC



# Appendix C: Licensing Statistics

Permit and Vessel Licenses Processed by Month, 2013-2018





# Appendix C: Licensing Statistics

**Counts of Permits by Fee Range**

Fee Range (in dollars)	Permit Year						
	2012	2013	2014	2015	2016	2017	2018
Waived	1,005	711	1,053	1,194	1,964	2,007	777
\$75 to \$375	14,825	14,345	15,047	12,507	11,478	11,342	10,876
Over \$375 to \$750	3,360	3,693	1,859	2,961	3,368	4,112	3,700
Over \$750 to \$1,125	277	77	85	910	1,005	146	441
Over \$1,125 to \$1,500	159	373	673	630	249	236	249
Over \$1,500 to \$2,999	181	17	69	145	168	103	104
\$3,000 Fee Cap	403	507	507	521	518	461	450
<b>Total</b>	20,210	19,723	19,293	18,868	18,750	18,407	16,597

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**

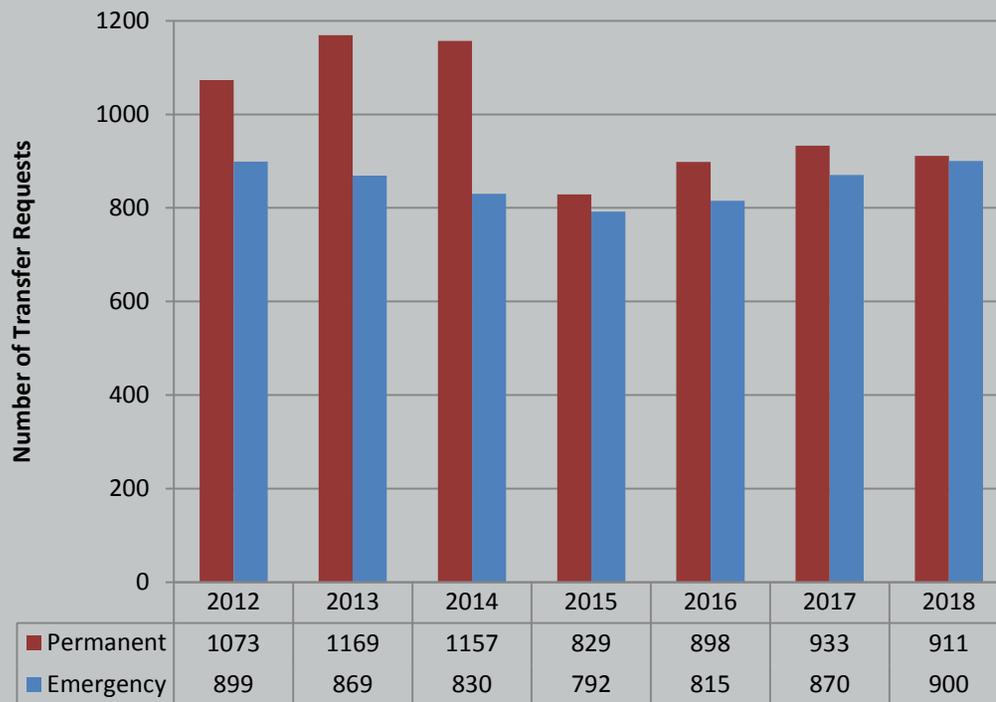
Fee Category based on overall length of vessel	Licensing Fee	Number of Vessels Licensed
Vessels to 25'	\$24	2,500
Over 25' to 50'	\$60	5,092
Over 50' to 75'	\$120	824
Over 75' to 100'	\$225	209
Over 100' to 125'	\$300	152
Over 125' to 150'	\$375	54
Over 150' to 175'	\$450	33
Over 175' to 200'	\$525	20
Over 200' to 225'	\$600	5
Over 225' to 250'	\$675	5
Over 250' to 275'	\$750	3
Over 275' to 300'	\$825	11
Over 300'	\$900	13
<b>2018 Total</b>		8,921

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 of the vessel as stated in [46 USC 2101\(20b\)](#).



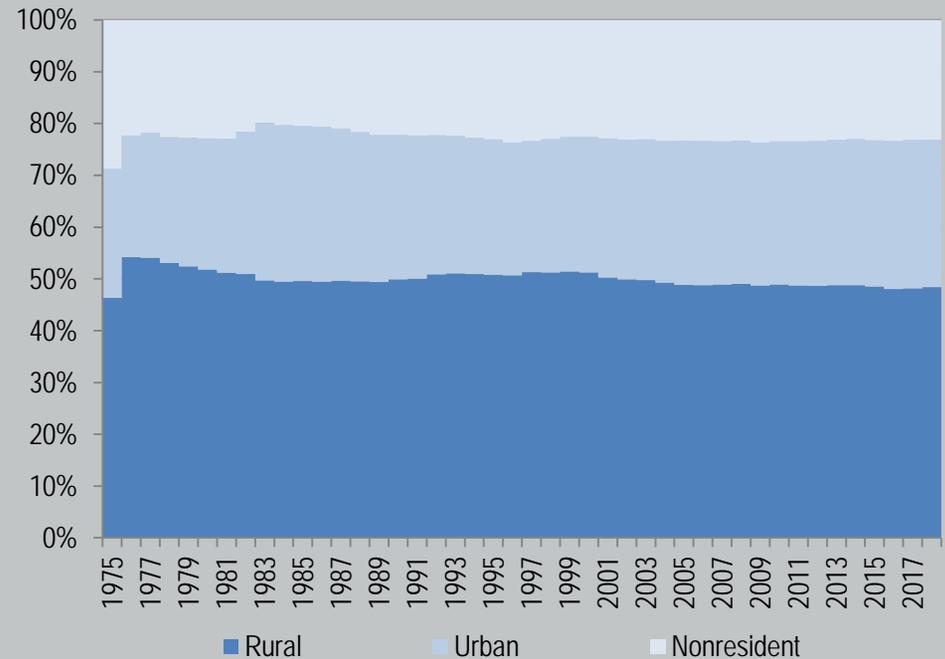
# Appendix C: Licensing Statistics

**Transfer Requests Reviewed**



In 2018, Licensing staff reviewed 1,811 requests for permanent and emergency transfers of permits. This included 900 emergency and 911 permanent transfer requests.

**Residency of Limited Entry Permit Holders, 1975-2018**

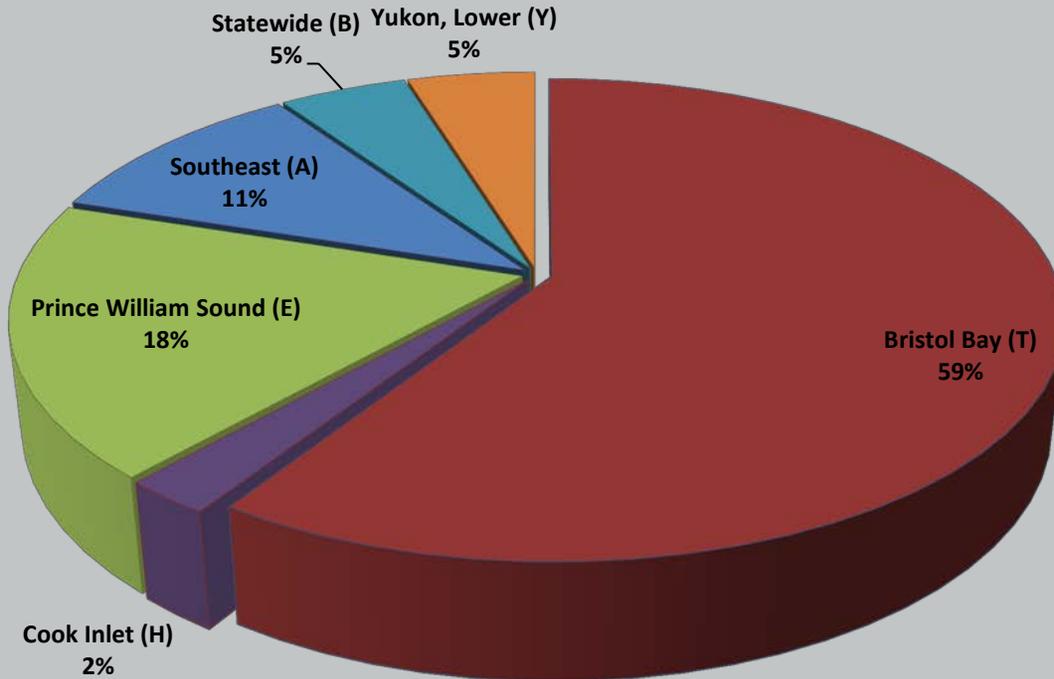


Urban and rural community designations are based on information from the 2010 U.S. Census. In many regions of Alaska there are no urbanized areas. For example, in the Bristol Bay region every community is considered rural. In 2018, 13,974 limited entry permits were held by 6,767 Rural Alaskans (48%), 3,978 Urban Alaskans (29%), and 3,229 Nonresidents (23%).



# Appendix D: Adjudications Statistics

## Permit Holders Assessed Demerit Points in 2018



Salmon Fishery Area	Permit Holders
Bristol Bay (T)	74
Cook Inlet (H)	3
Prince William Sound (E)	23
Southeast (A)	13
Statewide (B)	6
Yukon, Lower (Y)	6
<b>Total</b>	<b>125</b>

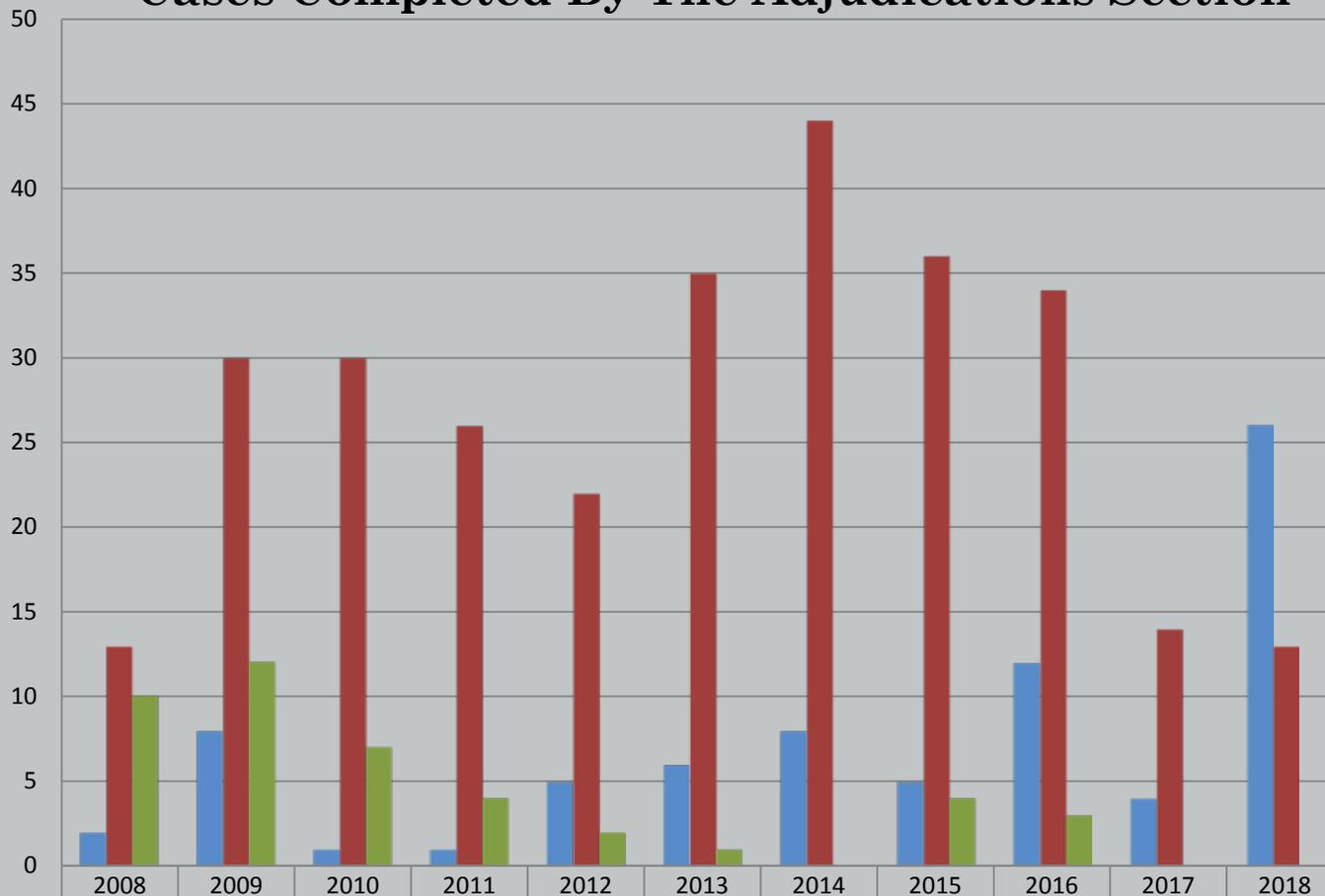
In 1998, the Alaska Legislature established a demerit point system for suspending commercial salmon fishing privileges based on convictions for fishing violations in the salmon fisheries. Under this law, the Commission must suspend a salmon permit holder's commercial fishing privileges for a period of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

See [Appendix H](#), page 19 for a discussion of the Demerit Point System.



# Appendix D: Adjudications Statistics

## Cases Completed By The Adjudications Section



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.

■ Miscellaneous	2	8	1	1	5	6	8	5	12	4	26
■ Transfers	13	30	30	26	22	35	44	36	34	14	13
■ Applications	10	12	7	4	2	1	0	4	3	0	0



## Appendix E: Information Technology

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### Information Technology Opportunities and Active Projects

#### *Opportunities*

CFEC's Information Technology consist a staff of 4, who are responsible for IT duties and requirements of the agency. This presents a challenge in terms of resources, but due to continuing efforts to automate and alter long standing methodologies, we are meeting the challenge to do more with less. Going forward, there are further opportunities for efficiencies that CFEC IT staff continue to explore.

#### *Active Projects*

##### **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 additional data from the CFEC Licensing System. The data is also enhanced with CFEC estimates of ex-vessel fish and shellfish prices, which can be queried for various information. The database is maintained for all fishing years from 1975 forward.

The Gross Earnings Database is an important file used by CFEC for both internal and external needs. It is also shared and used by 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 on the CFEC Public Web Site (eg. '[Fishery Participation and Earnings](#)'). In 2018, IT staff made additional improvements to the Gross Earnings database, to make it more readily accessible for Research staff.



## Appendix E: Information Technology

### Information Technology Opportunities and Active Projects

#### Automated Workstations

CFEC IT continues to develop and test a project, called LEON, 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 renewal traffic. This automation, coupled with a growing awareness of online abilities, 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 .

#### Reduced Mailing Costs

IT'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 small 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 2018, we have seen a 100% increase in the number of individuals who utilized the online renewal system. Currently, 60% of permit renewal is done online. CFEC is working toward an 80% online renewal goal by 2020. However, due to a number of variables, we anticipate that some fishermen will continue to use paper application forms.

#### 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 2018, when IT staff stepped in to assist Licensing Section and Administration during the busiest times of the year and when we experienced unexpected 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 for employee 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. Research Section provided information for the January 2018 Southeast shellfish, March 2018 Statewide shellfish, and December 2018 Bristol Bay finfish meetings. CFEC memos specifically addressed restructuring proposals for two salmon fisheries: 1) modifying dual permit operations in the Bristol Bay salmon drift gillnet fishery; and, 2) modifying 'permit stacking' in the Bristol Bay salmon setnet fishery. CFEC also addressed proposals to alter the Sitka sac roe herring purse seine fishery.

Special analyses were done at the request of other agencies, private research firms, and academics. One project for the Bristol Bay Economic Development Corp (BBEDC) summarized salmon harvests by time and area in the Bristol Bay drift fishery, and helped them to station their ice barges at optimal locations and times for fishermen, so to increase overall salmon quality and value from the Bay. A report for the Alaska Legislature dealt with the potential to increase revenue by modifying the statutory cap on CFEC permit fees. [AS 16.43.160\(c\)](#) limits the fee amount CFEC can collect for certain permits; changing the statute could result in increased state revenues.

Research assisted NOAA/NMFS with its administrative functions on the Southeast Revitalization Association's (SRA) Fishing Capacity Reduction Program, a buyback program for the Southeast salmon purse seine fishery.

Research continued to monitor basic economic conditions found in the Cook Inlet salmon set gillnet fishery, including economics for those setnetters with and without DNR shore fishery lease sites.

Research produced exvessel price estimates for all species of fish harvested in Alaska fisheries in 2017. The estimates are performed in the following year (done in 2018 for the 2017 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

### Published Reports in 2018

In 2018, Research published broad-based informational reports intended to inform the Alaska Legislature, ADF&G fishery managers, regulators, and the fishing community at large. These reports are also available on CFEC's web site, <https://www.cfec.state.ak.us/Publications/year.htm>.

[Yakutat and Southeast Alaska Commercial Dungeness Crab Fisheries, 1975-2016. CFEC Report No. 18-1N](#)

[Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2017. CFEC Report No. 18-2N](#)

[CFEC Salmon Set Gillnet Permits and DNR Shore Fishery Leases in Prince William Sound, Cook Inlet, Kodiak, Alaska Peninsula, and Bristol Bay, 1975-2017. CFEC Report No. 18-4N](#)

[Mean and Quartile Estimated Gross Earnings \(in 2016 Dollars\) for Alaska's Limited Commercial Fisheries, 1975-2017, CFEC Report No. 18-5N](#)

[CFEC Permits and Estimates of Gross Earnings in the Kodiak Sac Roe Herring Purse Seine and Gillnet Fisheries, 1983-2017. CFEC Report No. 18-6N](#)

[CFEC Permit Holdings and Estimates of Gross Earnings in the Bristol Bay Commercial Salmon Fisheries, 1975-2017, CFEC Report No. 18-7N](#)

[CFEC Permit Holdings and Estimates of Gross Earnings in the Arctic-Yukon-Kuskokwim Commercial Salmon Fisheries, 1975-2017, CFEC Report No. 18-8N](#)



# Appendix G: Statutory Requirements

## Limited Entry and Optimum Levels of Permits

CFEC is required by statute to continuously manage its limited fisheries. Optimum numbers for each limited entry fishery must be analyzed and determined according to appropriate statutory criteria [AS 16.43.290(1)-(3)]. If the optimum number is found to be greater than the number of permits currently issued in the fishery, CFEC must issue additional permits [AS 16.43.330(a)]. If the optimum number is found to be less than the number of permits currently issued in the fishery, CFEC may work with fishermen to administer a voluntary buyback program to reduce permits to the optimal number [AS 16.43.310(a)]. Furthermore, CFEC may occasionally revise an optimum number when there is an established long-term change in the biological conditions or market conditions of a fishery [AS 16.43.300 (a)(1)-(2)].

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 continue to monitor the approximately 200 open access fisheries for possible limitation, and will also direct more resources to conducting optimum number studies on limited fisheries in accordance with our statutory obligations. The optimum numbers generated from such studies will serve as focal points for working with the Department of Fish and Game, fishermen, and policymakers to adjust limited entry permit systems according to optimum levels to the benefit of current permit holders and the next generation of fishermen.

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



# Appendix G: Statutory Requirements

## Southeast Alaska Salmon Purse Seine Buyback

The NOAA/NMFS Fishing Capacity Reduction Program for the Southeast Alaska Purse Seine Salmon Fishery began in 2008 and used a combination of federal grant and loan monies to purchase 99 Southeast Alaska seine permits (S01A); \$10.4 million remains in the loan fund. In June 2018, the Southeast Revitalization Association (SRA) submitted to NOAA Fisheries a third fleet reduction plan (2018 Plan), which proposes to buyback an additional 36 S01A permits. The program requires consultation with CFEC. Accordingly, the Commission met with the NOAA program administrator, SRA and other industry representatives and reviewed the 2018 Plan and buyback documents for consistency with both the specific program rules and the Limited Entry Program. NMFS conducted a referendum to determine S01A permit holder's willingness to pay for the 2018 Plan and it was approved in early 2019. At the time of the vote there were 315 S01A seine permits, 170 (54%) held by residents and 145 (46%) by non-residents; 242 (77%) of the permits were fished during the 2018 season. Also see [CFEC 2017 Annual Report, p.24](#).

## Cook Inlet Eastside Setnet Buyback

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 30th Alaska Legislature saw the introduction of SB135, 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 SB135 passed, CFEC was prepared to engage with permit holders and other State agencies, to determine how best to proceed with the buyback. Also see [CFEC 2017 Annual Report, p.25](#).



## 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, the 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)]. The 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)].

The current demerit point system has significant limitations. Demerit 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 11](#).



## 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 \$7 billion in value for the rest of the nation; it is comprised of thousands of small business operators who in 2016 paid over \$146 million in commercial fishing related taxes, fees, and assessments.<sup>1</sup> Since statehood, commercial fishermen have landed over 169 billion pounds of seafood; most Alaska seafood is sold to U.S. consumers. If Alaska was a country, it would rank 7th in the world for the export of seafood<sup>2</sup>, with 21 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 billion in payroll and 8 percent of the state's jobs.<sup>2</sup> 77% of all limited entry permits are held by Alaskans and roughly half of them live in rural communities<sup>4</sup>; 15% of all workers in rural Alaska hold seafood related jobs.<sup>1</sup> 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. Since its inception, CFEC has granted 16,720 permits to fishermen in 68 limited entry fisheries; two fisheries were subject to a sunset provision by the legislature. In 2018, CFEC issued a total of 13,974 limited entry permits; 10,745 are held by Alaskans. In 2018, the combined value of all limit entry permits was \$809 million.

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. [FY2018 Annual Report](#), Alaska Seafood Marketing Institute.
2. [The Economic Value of Alaska's Seafood Industry](#), McDowell 2017.
3. [Total Commercial Fishery Landings At Major U. S. Ports](#), NOAA Fisheries, 2017.
4. [CFEC](#)
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>4</sup>

During limited entry's 45 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 2018, CFEC issued 27,377 limited and open access fishing and vessel licenses, processed nearly 2,000 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](#)

