

Sport Fish Hatchery Development

FY2006 Request: \$62,140,000
Reference No: AMD 40522

AP/AL: Appropriation
Category: Development

Project Type: Construction

Location: Statewide

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House District: Statewide (HD 1-40)

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Estimated Project Dates: 07/01/2005 - 12/30/2008

Brief Summary and Statement of Need:

This amendment deletes the operational expenses of southeast hatcheries since these expenses are now included in the ADF&G fiscal notes for SB147/HB252. Funding for the hatcheries will come from a bond which will be guaranteed using the Fish and Game Fund and will be paid over 25 years using revenues from a proposed license fee surcharge.

Funding:	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>Total</u>
Rev Bonds	\$62,140,000						\$62,140,000
Total:	\$62,140,000	\$0	\$0	\$0	\$0	\$0	\$62,140,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input checked="" type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	1,304,700	0
One-Time Startup:	0	
Totals:	1,304,700	0

Additional Information / Prior Funding History:

The Division received \$4.8 million from the NMFS via the Southeast Sustainable Salmon Fund. Those grants allowed the Division to address the issue of lost heat at the Ft. Richardson Hatchery. It also provided funding to build a pilot fish hatchery in Fairbanks and to begin the planning process for hatchery construction and for site feasibility studies in Fairbanks. ADF&G believes it will receive an additional \$3.3 million grant in 2005 targeting hatchery construction in Fairbanks.

Project Description/Justification:

Existing hatcheries are so deteriorated and obsolete that they are subject to a complete or partial loss of production at any time. This CIP funding request will allow the Division of Sport Fish to dedicate funds to construct new hatchery facilities in the Anchorage and Fairbanks areas and sustain king salmon production at the Crystal Lake Hatchery in Petersburg. This CIP will also allow further development of king salmon production in the Haines and Skagway areas in Southeast Alaska.

The mission of the Division of Sport Fish is *“to protect, maintain and improve fish, game and aquatic plant resources of the state and to manage their use and development in the best interests of the economy and well being of the people of the state consistent with the sustained yield principle.”* The Sport Fish hatchery program is critical to meeting this responsibility statewide. The Elmendorf and Fort Richardson hatcheries (located in Anchorage) culture and release 5 species of salmon and trout and are responsible for nearly all of the sport fish enhancement production in Southcentral and Interior Alaska. The Crystal Lake hatchery in Petersburg produces chinook salmon for salt-water anglers in Southeast Alaska.

The production in Anchorage is further compromised by a decision by the Department of Defense to close the power plants at the Elmendorf Air Force and Fort Richardson Army bases and buy power from the local utility company. Without the power plants, the hatcheries do not have a source of heat needed to heat water necessary for fish production. The Division of Sport Fish has sought other methods of securing replacement heat sources but has been unsuccessful; the alternatives are expensive and intermittent to providing sufficient heat for hatchery program needs. The Fort Richardson power plant went cold in March of 2004 and the Elmendorf power plant will go cold in 2005. The loss of heat and the aging infrastructure of both facilities have already impacted production and will make it impossible to continue the catchable program after 2005.

As such, this is a user pay/user benefit approach to safeguarding and improving the hatchery program. The Division of Sport Fish will also have the flexibility to use monies secured through the Federal Aid In Sport Fish Restoration Act (16 USC777-777k) also known as the Wallop Breaux (WB) program, as another source of funding to meet bond repayment obligations

Failure to fund this request jeopardizes the economic benefits hatcheries provide. A recent 2004 study estimated that more than \$34 million of economic benefit can annually be attributed to anglers fishing hatchery produced fish that are stocked into roadside water bodies in Southcentral and Interior Alaska. It also jeopardizes wild stocks in that existing and future effort will likely shift onto wild stocks, many of which are fully allocated. This will necessitate increased wild stock assessment and management.

The state Department of Revenue would issue revenue bonds with a gross amount of \$69,000,000 but the actual construction costs of the statewide hatcheries would be \$62,140,000. The gross bond amount would have adjustments made for underwriter spread, true interest costs, debt service reserve fund and earnings.

The \$62.14 million in hatchery bond funds would be spent as follows:

Interior Alaska – Fish presently stocked in interior Alaska are produced in Anchorage and transported via the road system. Currently, about 20% of the fish produced in the existing hatchery program go to Fairbanks and the surrounding areas. The imminent loss of heat at the existing Anchorage area hatcheries will drastically affect the interior-stocking program. Without warm water (which doubles the growth rate of fish), the hatcheries will not be able to produce fish in the sizes currently stocked in interior waters. A recent study has indicated that building a new hatchery in Fairbanks is the best way to remediate the problem. The proposed hatchery will at least double the existing fish production goals for this area, meeting projected demand over the next 25 years. It is estimated that the hatchery will cost \$25 million, 15 million of which will be funded under the CIP. The balance of the monies will come from federal funds already secured or anticipated.

Southcentral Alaska – The imminent loss of heat at the existing Anchorage area hatcheries will drastically affect the southcentral Alaska stocking program. Loss of heat at the existing hatcheries will not only decrease the number of fish planted throughout southcentral Alaska, but will be decrease the number of sites that will be stocked. A recent study has indicated that building a new hatchery in Anchorage is the best way to remediate the problem. We propose to address this issue by constructing a new hatchery facility at the site of the existing Fort Richardson hatchery in Anchorage. Hatchery operations at the existing Elmendorf Hatchery in Anchorage will be shut down. The new hatchery facility will increase production by 50%, sufficient to meet projected demand over the next 25 years. We anticipate this hatchery will cost just over \$45 million, the cost of which will be entirely covered under the proposed bond.

Southeast Alaska- The Division of Sport Fish does not operate any hatchery facilities in southeast Alaska, but supports targeted private sector hatchery operations through cooperative agreements aimed at increasing sport fishing opportunities. Bond funds totaling \$2.14 million will fund the following projects: \$1.5 million to the City of Skagway to build a hatchery which they would operate; \$0.5 million for deferred maintenance for the Crystal Lake Hatchery near Petersburg; and \$140,000 for one time capital improvements by the Northern Southeast Regional Aquaculture Association (NSRAA) for Haines king salmon release.