

State of Alaska FY2006 Governor's Operating Budget

Department of Fish and Game Commercial Fisheries Entry Commission RDU/Component Budget Summary

RDU/Component: Commercial Fisheries Entry Commission

(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)

Contribution to Department's Mission

The mission of the Commercial Fisheries Entry Commission is to limit entry into commercial fisheries for purposes of resource conservation and to prevent economic distress among fishermen and those dependent on them for a livelihood.

Core Services

The Commission performs the following services required by law:

- Limit entry into commercial fisheries and set maximum number of participants (as governed by Alaska law);
- Establish and implement systems to rank eligible applicants according to the relative hardship they would suffer by not initially receiving an entry permit for a limited fishery;
- Process and classify entry permit applications and adjudicate claims not resolved by initial classification;
- Issue entry permits in limited fisheries, interim-use permits in unlimited fisheries, licenses for all vessels employed in Alaska's commercial fisheries and vessel entry permits for the Bering Sea hair crab and statewide Scallop fisheries;
- Process requests for emergency and permanent transfers of entry permits and emergency transfers of interim-use permits and compile and report data on the demographic characteristics of permit holders and prices paid for permits;
- Enforce the Limited Entry Act by regulating permit transfer activities, conducting investigations, and initiating administrative enforcement proceedings;
- Monitor unlimited fisheries to assess their rate of development and their potential need for limitation;
- Establish moratoria on new entrants to fisheries as necessary;
- Monitor the long-term effects of limited entry;
- Monitor limited fisheries to obtain information needed for considering optimum numbers in those fisheries, and to determine the need for adjustment to the size of a given fleet;
- Participate in the development of comprehensive fisheries economic data and research, and make this information available to policy makers and members of the public;
- Work closely with other management agencies to develop and coordinate fisheries policy; and
- Administer the demerit point system for suspending commercial fishing privileges based on convictions of fishing law violations in salmon fisheries.

The commission is the only agency charged with the responsibility for limiting the number of participants in commercial fisheries. To carry out its responsibility, the commission works closely and cooperatively with the Department of Law, Department of Fish and Game, Alaska Board of Fisheries, and other fisheries agencies when making regulatory decisions.

End Results	Strategies to Achieve Results
<p>A: Maximum number of viable, sustainable commercial fishing jobs in Alaska.</p> <p><u>Target #1:</u> Over 5-year period, 5% increase (rebound) in salmon permit values. <u>Measure #1:</u> Percent change in salmon permit values.</p> <p><u>Target #2:</u> Over 5-year period, 0% decline in permit values in non-salmon fisheries. <u>Measure #2:</u> Percent change in permit values in non-salmon fisheries.</p> <p><u>Target #3:</u> Over 5-year period, 5% increase in number of</p>	<p>A1: Stabilize participation levels in commercial fisheries by limiting entry into individual fisheries.</p> <p><u>Target #1:</u> 100% of fishery limitations implemented meet constitutional and statutory criteria for limited entry. <u>Measure #1:</u> Percent of limitations upheld when challenged in court on statutory or constitutional grounds.</p> <p>A2: Timely processing of annual permit/license renewals and permit transfers to help fishermen avoid lost fishing time.</p> <p><u>Target #1:</u> Despite reduced budget and staffing levels,</p>

<p>limited entry permits fished. <u>Measure #3:</u> Percent change in permits fished. <u>Target #4:</u> Over 5-year period, less than 5% decline in number of permits renewed in unlimited fisheries. <u>Measure #4:</u> Percent change in permits renewed in unlimited fisheries.</p>	<p>maintain processing of 90% of all vessel license and permit renewals and requests for duplicates within 3 days of receipt of fully completed application. <u>Measure #1:</u> Percent of renewals and duplicates processed within 3 days. <u>Target #2:</u> With reduced staff and budget, maintain processing of 90% of all emergency transfer requests within 4 days of receipt of a fully completed application. <u>Measure #2:</u> Percent of emergency transfers processed within 4 days. <u>Target #3:</u> With reduced staff and budget, maintain processing of 90% of all permanent transfer requests within 5 days of receipt of a fully completed application. <u>Measure #3:</u> Percent of permanent transfers processed within 5 days. A3: Issue hearing officer and commissioner decisions that are timely, fair, and legally sound. <u>Target #1:</u> During the course of each year, reduce the number of adjudication cases before the commission by at least 10%. <u>Measure #1:</u> The number of decisions produced by the commission each year measured as a percentage of the number of cases pending before the commission during the course of the year. A4: Assist fishery managers and enforcers by providing clear, accurate, accessible documentation of persons/vessels legally authorized to fish. <u>Target #1:</u> 95% of all annual permit cards, vessel licenses, and permit transfers are accurately and appropriately issued. <u>Measure #1:</u> Percent of issued permits, licenses, and transfers returned for re-issuance due to inaccuracies or otherwise found to be inaccurately issued.</p>
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Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • Issue annual renewals of permits and licenses • Conduct research necessary for limiting fisheries • Determine if/when to limit individual fisheries • Conduct public input process for all regulatory actions • Draft and adopt appropriate point systems for ranking permit applicants • Make initial point determinations for applications for limited entry permits • Adjudicate appealed decisions | <ul style="list-style-type: none"> • Issue permanent and temporary permit transfers • Conduct optimum number studies • Respond to information requests • Maintain up-to-date, extensive, accurate, accessible database of CFEC permits and licenses and general fisheries data • Provide information to Board of Fisheries, fishery managers, and other agencies and policy-makers • Maintain electronic transmission of information on fisheries convictions between court system and CFEC and issue demerit points and permit suspensions |
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FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$3,005,100

Personnel:

Full time	29
Part time	4
Total	33

Performance Measure Detail

A: Result - Maximum number of viable, sustainable commercial fishing jobs in Alaska.

Target #1: Over 5-year period, 5% increase (rebound) in salmon permit values.

Measure #1: Percent change in salmon permit values.

Analysis of results and challenges: The value of entry permits are determined in the market by fishermen buying and selling permits. The market value of an entry permit ultimately depends upon the expected future profitability of the fishery. The market value of an entry permit will change as expectations about the future profitability of the fishery change. Expected future profitability depends upon factors such as expected harvest sizes, expected ex-vessel prices, and the expected number of permits in the fishery.

Please note: The data for permit values does not fit the standard table format above. We have created a spreadsheet showing 2003 and 2004 average permit values by fishing area and then calculated the percent of change from year to year. The spreadsheet can be viewed by following the link provided in the "Related Links" section below.

Target #2: Over 5-year period, 0% decline in permit values in non-salmon fisheries.

Measure #2: Percent change in permit values in non-salmon fisheries.

Analysis of results and challenges: The value of entry permits are determined in the market by fishermen buying and selling permits. The market value of an entry permit ultimately depends upon the expected future profitability of the fishery. The market value of an entry permit will change as expectations about the future profitability of the fishery change. Expected future profitability depends upon factors such as expected harvest sizes, expected ex-vessel prices, and the expected number of permits in the fishery.

Please note: The data for permit values does not fit the standard table format above. We have created a spreadsheet showing 2003 and 2004 average permit values by fishing area and then calculated the percent of change from year to year. The spreadsheet can be viewed by following the link provided in the "Related Links" section below.

Target #3: Over 5-year period, 5% increase in number of limited entry permits fished.

Measure #3: Percent change in permits fished.

Change in permits fished

Year	YTD
1999	9779
2000	9441
2001	8455
2002	7837
2003	8792

Analysis of results and challenges: Permits fished have declined in salmon fisheries in recent years since the fishery has become less profitable due to the dramatic decline in ex-vessel prices. Over a 5 year period the change in the number of permits fished is -10.09%; however, 2003 shows a reversal of this downward trend.

Target #4: Over 5-year period, less than 5% decline in number of permits renewed in unlimited fisheries.
Measure #4: Percent change in permits renewed in unlimited fisheries.

Unlimited Fisheries

Year	YTD
1999	10121
2000	9894
2001	9154
2002	8255
2003	7761

Analysis of results and challenges: Participation in some unlimited fisheries have been declining due to fleet rationalization programs at both federal and state levels. Over the last 5 years, the decline in the number of permits renewed in unlimited fisheries is -23.32%.

A1: Strategy - Stabilize participation levels in commercial fisheries by limiting entry into individual fisheries.

Target #1: 100% of fishery limitations implemented meet constitutional and statutory criteria for limited entry.
Measure #1: Percent of limitations upheld when challenged in court on statutory or constitutional grounds.

Analysis of results and challenges: From the year 2000, all final court decisions have upheld the commission with respect to statutory and constitutional issues.

In 2000, there were 2 final decisions.....100%
 In 2001, there were 4 final decisions.....100%
 In 2002, there were 3 final decisions.....100%
 In 2003, there were no final decisions.....N/A
 In 2004, there is 1 final decision (as of October).....100%

A2: Strategy - Timely processing of annual permit/license renewals and permit transfers to help fishermen avoid lost fishing time.

Target #1: Despite reduced budget and staffing levels, maintain processing of 90% of all vessel license and permit renewals and requests for duplicates within 3 days of receipt of fully completed application.
Measure #1: Percent of renewals and duplicates processed within 3 days.

Renewals & Duplicate Processing

Year	YTD
2003	93%
2004	94.5%

Analysis of results and challenges: Budget reductions in FY2004 reduced one seasonal licensing position from 9 months to 2 months. In FY05 the position was completely deleted. Even with fewer staff, the CFEC licensing group is dedicated to processing all permits, renewals and transfers without delay to get fishers out on the water and working as quickly as possible, and to date we have exceeded this target. (CFEC's IT section is working on a program to capture this data on a quarterly basis.)

Target #2: With reduced staff and budget, maintain processing of 90% of all emergency transfer requests within 4 days of receipt of a fully completed application.

Measure #2: Percent of emergency transfers processed within 4 days.

Emergency Transfer Processing

Year	YTD
2003	94%
2004	95%

Analysis of results and challenges: Budget reductions in FY2004 reduced one seasonal licensing position from 9 months to 2 months. In FY05 the position was completely deleted. Even with fewer staff, the CFEC licensing group is dedicated to processing all permits, renewals and transfers without delay to get fishers out on the water and working as quickly as possible, and to date we have exceeded this target. (CFEC's IT section is working on a program to capture this data on a quarterly basis.)

Target #3: With reduced staff and budget, maintain processing of 90% of all permanent transfer requests within 5 days of receipt of a fully completed application.

Measure #3: Percent of permanent transfers processed within 5 days.

Year	YTD
2003	90%
2004	91%

Analysis of results and challenges: Budget reductions in FY2004 reduced one seasonal licensing position from 9 months to 2 months. In FY05 the position was completely deleted. Even with fewer staff, the CFEC licensing group is dedicated to processing all permits, renewals and transfers without delay to get fishers out on the water and working as quickly as possible and to date we have exceeded this target. (CFEC's IT section is working on a program to capture this data on a quarterly basis.)

A3: Strategy - Issue hearing officer and commissioner decisions that are timely, fair, and legally sound.

Target #1: During the course of each year, reduce the number of adjudication cases before the commission by at least 10%.

Measure #1: The number of decisions produced by the commission each year measured as a percentage of the number of cases pending before the commission during the course of the year.

Analysis of results and challenges: The primary purpose of Commission Adjudications is to evaluate, classify and adjudicate applications for limited entry permits. Entry permit applicants are classified (ranked) in a system that measures each applicant's past participation and economic dependence on the fishery. Entry permits are then issued at successively lower classification levels until the established maximum number of permits has been issued for that fishery. Denied applicants may appeal and receive final decisions from the commissioners. Cases arise and are finally resolved throughout the year. We have met this performance measure for 2003. The commission decided 81 out of 248 cases pending before the commission during 2003, exceeding our 10% reduction target. So far we appear to be on track to meet or exceed this target for 2004.

A4: Strategy - Assist fishery managers and enforcers by providing clear, accurate, accessible documentation of persons/vessels legally authorized to fish.

Target #1: 95% of all annual permit cards, vessel licenses, and permit transfers are accurately and appropriately issued.

Measure #1: Percent of issued permits, licenses, and transfers returned for re-issuance due to inaccuracies or otherwise found to be inaccurately issued.

Percent re-issued

Year	YTD
2003	<0.5%
2004	<0.5%

Analysis of results and challenges: Budget reductions in FY2004 reduced one seasonal licensing position from 9 months to 2 months. In FY05 the position was completely deleted. Even with fewer staff, the CFEC licensing group is dedicated to processing all permits, renewals and transfers accurately and without delay to get fishers out on the water and working as quickly as possible and to date we have met this target. So far we are meeting this target for 2004.

Key Component Challenges

- Conduct public hearings and take public comment on proposed Bristol Bay Salmon Drift Gillnet Optimum Number.
- Streamline licensing processes using available technology to make the licensing system easier and more efficient for both the public and the agency. This involves a major multi-year project to rewrite and upgrade the Commission's licensing system.
- Begin Bristol Bay salmon drift gillnet fleet consolidation public discussions including limited entry permit buy-back option if optimum number lower than current number of permits is adopted.
- Monitor and update data regarding Kodiak Sea Cucumber Dive Fishery.
- Continue to monitor federal efforts to rationalize Gulf of Alaska groundfish and Bering Sea and Aleutian Islands crab in the Exclusive Economic Zone. Federal actions may lead to increased pressures from displaced vessels on groundfish and crab in waters managed under state jurisdiction. CFEC will particularly continue to work with ADF&G and Board of Fisheries on parallel fisheries issues under the Gulf of Alaska groundfish rationalization plan and may need to seek additional rationalization tools to meet our constitutional mandates for these fisheries.
- Continue to fulfill obligations under the Carlson class action, which challenges the permit fees Alaska has charged nonresident fishermen. These obligations include maintaining a data base of permits held and current mailing addresses for Carlson class members. A 3:1 nonresident to resident permit fee differential was established by law many years ago and was in effect until the 2002 licensing year. If Alaska loses the lawsuit, it might result in a judgment requiring the state to calculate and pay huge refunds (tens of millions of dollars) to nonresident fishermen. It is imperative that Alaska has the resources to defend the State in court and the ability to respond to whatever judgment is ultimately rendered.
- Complete hearings and issue decisions on pending applications for entry permits in limited fisheries.
- Monitor fisheries for which we have received petitions for limitations.
- Defend against current legal challenges to the limited entry program, including *Simpson v. CFEC*, *CFEC v. Dupier* and *Brandal v. CFEC*.
- Continue to monitor the recent decline in CFEC-generated revenue. Revenue has decreased from nearly \$5 million in the late 1990's through FY2000 to \$3.8 million in FY2004. CFEC revenue funds the operations of the program as well as a statutory contribution to the Fishermen's Fund, and a portion of the Division of Commercial Fisheries.
- Engage in National Taxpayers Advocacy Panel to help ensure Alaska limited entry permit holders (and other citizens) are afforded their rights under the IRS 1998 Reform Act.

Significant Changes in Results to be Delivered in FY2006

FY05 staffing reductions, coming on top of the reductions in earlier years, are resulting in an additional nearly 15% decrease in the rate at which hearing officer decisions are issued (from roughly 70 hearing officer decisions annually to an estimated 60); diminished ability to conduct the research necessary to support fishery limitations, optimum number determinations, and fishery decisions by managers, policy makers, and the fishing industry; delay in completion of the large project currently underway to replace the commission's outdated licensing computer system; and an increase of approximately 30% in turn-around time for issuing annual licenses and permits to fishermen during peak times.

For FY06, CFEC faces several new budgetary challenges.

First, this budget will require CFEC to absorb the additional cost of personnel merit steps (approximately \$35.0) and \$31.6 of the increase in the personnel benefits costs. For an agency with only 29 fulltime positions, and virtually all of its budget in personal services, absorbing this \$66.6 of additional expense, within a budget that has already been significantly reduced in previous years, is extremely difficult. At the very least, it will mean the decreased rate of commission decisions (an identified impact of the FY 05 budget) will continue, as will the increased turn-around time for licensing, and the decreased ability to conduct research to support the state's fishery decisions. Additionally, it will require additional delays in filling any vacancies that occur, thus further slowing and/or denying services to the public.

Secondly, the agency faces a potential funding *source* shortfall. The funding source identified for CFEC in this budget is almost entirely Receipts Supported Services (RSS); that is, the agency's budget is funded with revenues generated from

the fees it charges to fishermen for permit and vessel license renewals. CFEC revenues have been declining dramatically in recent years due to several factors, including: a reduction in fees that can be charged to nonresident fishermen due to court decisions in the *Carlson v State* class action; a steady decline in the number of fishermen and vessels participating in Alaska's commercial fisheries resulting in fewer renewals; a decline in the economic value of many permits and fisheries resulting in a drop in the fees charged for many permits under the formula that establishes fees for individual fisheries according to the value of the respective fisheries; and legislative action during the 2004 session to abolish the commercial vessel license requirement for sportfish charter vessels. Thus, current revenue projections indicate CFEC is unlikely to generate enough revenues in FY06 to cover the RSS funding needed to fund this submitted budget. CFEC intends to seek passage of a bill authorizing a modest increase in fees to help ensure sufficient funding is available to maintain the agency's critical functions.

Major Component Accomplishments in 2004

- Completed a vessel limited entry program for the Weathervane scallop fishery and issued vessel entry permits.
- Continued work on a significant upgrade of CFEC computer system to bring equipment and programs up to current state standards and to maximize effective use of technology to keep up with the ever-increasing workload of the agency.
- Completed Bering Sea hair crab fishery limitation and issued vessel entry permits.
- As directed by Superior Court, continued updating the database for tracking current addresses of class members of *Carlson v. State* class action.
- Worked with Department of Law in its defense of the state in *Carlson* before both the Alaska Superior Court and Alaska Supreme Court.
- Continued to provide information as requested to assist ongoing discussions among policy makers and fishing industry about fleet consolidation options.
- Participated in the Board of Fisheries Groundfish rationalization work group.
- Participated in Legislative Salmon Task Force.
- Issued decisions on pending permit applications for limited fisheries.
- Completed the Bristol Bay Salmon Drift Gillnet Fishery Optimum Number Study, a major effort taking more than two years to complete.
- Continued to work with the IRS to explore means to help permit holders achieve voluntary tax compliance and to avoid attempted forced sales of Alaska limited entry permits.
- Completed processing 230 applications for the Kodiak bairdi Tanner crab pot fishery.
- Conducted hearings and issued decisions on the emergency transfers of entry permits.
- In process of issuing an anticipated 80 commission decisions and 60 hearing officer and paralegal decisions in calendar year 2004.
- Continued imaging of all correspondence files, commission decisions and court appeals to make these resources available electronically to Commission staff.
- In process of issuing an anticipated 21,000 interim use and entry permits to commercial fishermen for calendar year 2004.
- In process of issuing an anticipated 14,000 vessel licenses and sport charter vessel licenses for calendar year 2004.
- In process of completing action on an anticipated 700 Requests for Emergency Transfer of limited entry permits within a 4-day turnaround time in calendar year 2004.
- In process of completing action on an anticipated 900 Requests for Permanent Transfer of limited entry permits within a 5-day turnaround time for calendar year 2004.
- Completed the annual report on time series changes in the distribution of Alaska's limited entry permits.
- Monitored fisheries for which the commission has been petitioned for limited entry.
- Prepared decisional documents explaining process and rationale for the Bering Sea hair crab and Kodiak Tanner crab fishery limitations.
- Secured legislation that streamlined procedures for pay back of a front funded buy back program.

Statutory and Regulatory Authority

AS 16.43.010-990
20 AAC 05.010 - 20 AAC 05.1990

Contact Information

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**Commercial Fisheries Entry Commission
Component Financial Summary**

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,154.9	2,466.0	2,495.2
72000 Travel	18.8	31.5	31.5
73000 Services	211.3	344.7	426.3
74000 Commodities	111.8	37.1	37.1
75000 Capital Outlay	21.0	15.0	15.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,517.8	2,894.3	3,005.1
Funding Sources:			
1002 Federal Receipts	0.0	114.4	114.4
1004 General Fund Receipts	0.0	0.0	29.2
1007 Inter-Agency Receipts	47.9	52.7	52.7
1156 Receipt Supported Services	2,469.9	2,727.2	2,808.8
Funding Totals	2,517.8	2,894.3	3,005.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	407.2	390.0	407.0
Unrestricted Total		407.2	390.0	407.0
Restricted Revenues				
Federal Receipts	51010	0.0	114.4	114.4
Interagency Receipts	51015	47.9	52.7	52.7
Receipt Supported Services	51073	2,469.9	2,727.2	2,808.8
Restricted Total		2,517.8	2,894.3	2,975.9
Total Estimated Revenues		2,925.0	3,284.3	3,382.9

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	114.4	2,779.9	2,894.3
Adjustments which will continue current level of service:				
-Transfer RSS from State facilities rent component to CFEC	0.0	0.0	81.6	81.6
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	29.2	0.0	0.0	29.2
FY2006 Governor	29.2	114.4	2,861.5	3,005.1

**Commercial Fisheries Entry Commission
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2005</u>	<u>FY2006</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	29	29	Annual Salaries	1,793,809
Part-time	4	4	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	918,080
			<i>Less 4.77% Vacancy Factor</i>	<i>(129,489)</i>
			Lump Sum Premium Pay	0
Totals	33	33	Total Personal Services	2,582,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Adjudications Project Leader	0	0	1	0	1
Administrative Clerk	0	0	1	0	1
Administrative Officer	0	0	1	0	1
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer III	0	0	3	0	3
Analyst/Programmer V	0	0	2	0	2
Comm Fish - Permitting Ck 1	0	0	1	0	1
Comm Fish Permit Clerk IV	0	0	1	0	1
Comm Fish Permit Clerk V	0	0	1	0	1
Comm Fish Permitting Ck III	0	0	2	0	2
Commission Secretary	0	0	1	0	1
Commissioner, CFEC	0	0	3	0	3
Fisheries Analyst	0	0	1	0	1
Hearing Officer II	0	0	3	0	3
It Data Processing Svcs Leader	0	0	1	0	1
Law Specialist II	0	0	1	0	1
Licensing Project Leader	0	0	1	0	1
Managing Paralegal	0	0	1	0	1
Paralegal II	0	0	1	0	1
Research Analyst III	0	0	4	0	4
Research&Planning Proj. Leader	0	0	1	0	1
Transfer Officer	0	0	1	0	1
Totals	0	0	33	0	33