

aquaculture notes

ADM-12-76-001

C. E.



PRIVATE NONPROFIT SALMON HATCHERIES

IN ALASKA

by

Dr. E. Thomas Robinson
Assistant Professor of Accounting
School of Management
University of Alaska
Fairbanks, Alaska 99701

UNIVERSITY OF ALASKA

SEA GRANT PROGRAM

Sea Grant Report 76-1
January, 1976

NONPROFIT SALMON HATCHERIES
IN ALASKA

Upon passage of the Alaska "Private Nonprofit Salmon Hatchery Act" in 1974, the legal basis for the existence of private aquaculture to aid in fisheries rehabilitation was established. The potential effect of these nonprofit endeavors is tremendous. The act has provided the opportunity for the "public" to become actively involved in directly enhancing their salmon fisheries; for many, this means enhancement of their personal livelihood, which in turn will affect their community, their region, and their state.

THE BASIC FUNCTION

The establishment and operation of a private nonprofit salmon hatchery will require compliance with Alaska Statutes: AS 16.10.400-470 - Authorizing the operation of private nonprofit salmon hatcheries and AS 10.20 - Nonprofit Corporations. The emphasis of the function of these firms is on enhancement of the fisheries and contributing to salmon rehabilitation.

A basic permit is required from the Alaska Department of Fish and Game (ADF&G) that allows the hatchery to take, under close department supervision, salmon eggs for incubation. After incubation and after inspection by ADF&G to insure health, the fry are then released into the ocean to mature. On their return, the salmon must pass through the commercial fisheries before the hatchery resumes control. The hatchery will then be allowed to harvest the fish to provide brood stock for their hatchery requirements and the natural spawning requirements of the hatchery water source. These requirements must be met before surplus fish or eggs can be sold to provide a source of funds for hatchery support, expansion, and development.

PERMITS THAT MAY BE REQUIRED

There are a number of permits that may be required to construct and operate a salmon hatchery. Agencies which should be consulted are:

1. Alaska Department of Fish and Game
2. Alaska Department of Environmental Conservation
3. Alaska Division of Lands, Department of Natural Resources
4. Federal Power Commission
5. U.S. Army Corps of Engineers
6. U.S. Bureau of Land Management
7. U.S. Environmental Protection Agency
8. U.S. Fish and Wildlife Service
9. U.S. Forest Service.

GENERAL REFERENCE MATERIAL

The following list of general reference material is suggested but is not intended to be all inclusive:

Alaska Statutes - AS 10.20 and AS 16.10.400-470.

"Statement of Policy on Permitting Nonprofit Salmon Hatcheries In Alaska", State of Alaska, Department of Fish and Game - Office of the Commissioner, Subport Building, Juneau, Alaska 99801.

"Salmon Rancher's Manual", McNeil, W.J. and Bailey, J.E. Northwest Fisheries Center, NMFS, Seattle, Washington, 1975. A copy may be obtained from: Auke Bay Fisheries Laboratory, National Marine Fisheries Service, Box 155, Auke Bay, Alaska 99821.

"Salmon Culture Program", Prince William Sound Aquaculture Corporation. Limited copies may be available and there may be a slight charge. Write: Prince William Sound Aquaculture Corporation, P. O. Box 1110, Cordova, Alaska 99574.

SOME SPECIFIC CONSIDERATIONS

Groups and individuals interested in forming a private nonprofit salmon hatchery should be fully aware of requirements that must be met in incorporating and obtaining permits for establishing and operating a hatchery. The following is from a section of the ADF&G Statement of Policy that provides insight into organizational status before a permit will be issued. Emphasis has been added to key working.

STATEMENT OF POLICY FOR GRANTING PERMITS--It is the policy of the State of Alaska to foster the private ownership of salmon hatcheries by qualified nonprofit corporations when the following qualifying considerations are satisfied:

1. A determination by the Commissioner of the Alaska Department of Fish and Game that the stream at the proposed hatchery site is either depleted of salmon or is a non-significant producer of salmon and that the stream is unlikely to be restored or enhanced to levels supporting an adequate harvest in a reasonable time by either natural processes or by rehabilitation measures that may be taken by the state.
 - (a) The basis for declaring a stream "depleted" will be the determination that either the stream has been adversely altered to destroy its production potential or that, for whatever reason, the escapement history of the salmon spawning runs in the stream indicated a significantly reduced and consistently low level of production.
 - (b) The basis for declaring a stream a "non-significant" producer will be the determination that the stream's natural productivity of salmon -- even at its maximum -- is very low because of its physical limitations, e.g. because very limited spawning area is available. One of the major factors that will be considered in permitting a private nonprofit salmon hatchery on a stream declared a "non-significant" producer will be a judgement as to whether or not substantial increases in salmon production are likely to be achieved by a hatchery. Included in this judgement will be consideration of the quality and quantity of water available and whether or not the stream has an ample egg source for stocking the hatchery.
2. A determination by the commissioner that the nonprofit corporation is both technically and financially qualified and capable of managing a hatchery. (Emphasis added.) That is, a corporation that has been judged as qualified by the Commissioner is one that demonstrates that it has technical advisors with a knowledge of contemporary salmon husbandry practices to assure that seed-stock acquired from the State will not be wasted and is one that is financially capable of paying for necessary monitoring, inspections, and advisory services needed.

3. A determination by the Commissioner that the management of naturally occurring wild stocks will not be unduly hampered by locating the hatchery at the proposed site. If complexities arise in managing mixed stocks, including both hatchery fish and wild fish, it will be State policy to manage the collective resource in a manner that favors protection of the wild stocks. (Emphasis added.)
4. The Commissioner's assurance that the applicant's plans indicate that operation of the hatchery will be consistent with the State's policies on fish genetics and fish disease control.

The Alaska Department of Fish and Game will restrict its hatchery permit procedures to cover only its own responsibilities as the state's fishery management agency. Thus, an ADF&G permit to construct and operate a private nonprofit salmon hatchery will not represent approvals, permits, or licenses that a corporation may be required to obtain from other state and federal and local agencies concerned with matters of real estate, water use, taxation, structures in navigable waters, and environmental protection. As a provisional policy, the state will use the date-of-receipt of the application with the \$100 filing fee as a means for recognizing a proprietary claim to a hatchery site on public lands. It will be a policy of the department to process only one permit at a time for any private nonprofit corporation (emphasis added) and to require that the first hatchery show satisfactory progress prior to issuing a permit to construct and operate a second hatchery at another site.(1)

ORGANIZATION

The following are suggestions and considerations pertinent to the actual formation of a nonprofit salmon hatchery corporation. It is considered essential, to providing proper legal and financial guidance, that a law firm and an accounting firm be retained at the onset. The comments following support this contention in that a number of technical items require expertise in their successful fulfillment.

In drawing up the articles of incorporation, to be filed in accordance with Alaskan statutes, consideration should be made to include provisions that would facilitate recognition by the Internal Revenue Service under section 501(C)(3) of the Internal Revenue Code. This section provides a number of benefits that will aid in operations and fund-raising activities. Publication 557, "How to Apply for Recognition

(1) "Statement of Policy on Permitting Nonprofit Salmon Hatcheries in Alaska", State of Alaska, Department of Fish and Game.

of Exemption for an Organization" and form 1023, "Application for Recognition of Exemption", are readily available from any Internal Revenue Service office and provide information that should be consulted before the articles of incorporation are drawn up.

Additional forms that should be obtained from the Internal Revenue Service are: Form SS-4, application for employer identification number, and "Publication 15", an employer's tax guide for payroll.

An accounting firm should be consulted to aid in the establishment of basic bookkeeping procedures and records for cash receipts, disbursements and payroll. This will not only insure that legal reporting requirements are met, but also provide a sound basis for the necessary documentation of the firm's transactions for which management will be accountable. A suggested chart of accounts has been developed by the University of Alaska to facilitate external and internal reporting. This chart of accounts will be presented in an issue of *Aquaculture Notes* in the near future.

It is the author's opinion that careful and complete planning is essential to the successful establishment of salmon hatcheries. Although the results of hatchery operations will provide major benefits to the common-property fishery, including commercial and sports fishermen, the success of the hatchery will depend on the management and their ability to obtain funds for operating and expanding.

Aquaculture Notes is a publication of the Alaska Sea Grant Program. Material in *Aquaculture Notes* is the result of research carried out by the University of Alaska's Sea Grant Program. Copies may be obtained free of charge by writing the Alaska Sea Grant Program, University of Alaska, Fairbanks, Alaska 99701.

This publication is a result of research sponsored by the State of Alaska and NOAA, Office of Sea Grant, Department of Commerce under Grant No. 04-5-158-35.

