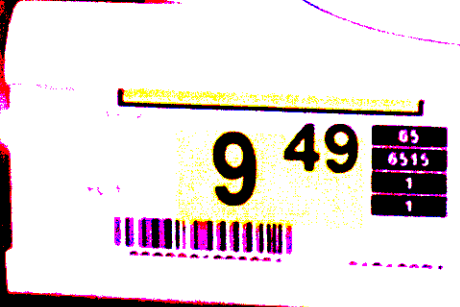


ALASKA DAIRIES 2% REDUCED FAT MILK

ALASKA ECONOMIC TRENDS

AUGUST 2009

SUBMITTED BY CHARLENE LOPEZ



The Cost of Living in Alaska

WHAT'S INSIDE

Northwest Arctic Borough
A look at an economy in the remote north
Employment Scene
Alaska's economy affected by national recession



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

Sean Parnell, Governor
Commissioner Click Bishop

Public Comment # 122

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& WORKFORCE DEVELOPMENT

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Commissioner Click Bishop

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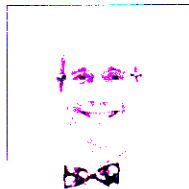
Cover

A photo of one-gallon milk cartons for sale in Bethel taken at 3 p.m. July 14.
(Photo by Alyssa Shanks)

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Correction

In *Trends'* July 2009 issue, Exhibit 9 listed the incorrect employer as the largest private sector employer in the Northwest Arctic Borough. The largest was the Maniilaq Association. Also, the Nome area should have been listed as the Nome Census Area.



Northwest to Alaska

By Commissioner Click Bishop

This month's *Trends* profiles Alaska's Northwest Arctic Borough, which has been home to Alaska Natives for many centuries.

Its remote location, encompassing Kotzebue Sound off the Chukchi Sea, is accessible year-round only by plane. Although there are no roads, some of its 11 communities can be reached by snow machine and dog-sled routes. Government, health care and mining are the area's largest sources of employment. Residents also rely heavily on subsistence fishing, hunting and gathering.

The high cost of living is directly linked to energy costs. In Kotzebue, residential heating fuel is a staggering \$6.35 per gallon.

This illustrates clearly that we must ensure Alaska's resources power Alaskans' homes. While we continue to move forward with AGIA, we are also addressing the energy needs of all Alaskans. Our in-state gas team is exploring the best possible options for producing and delivering in-state natural gas.

It's important that we consider the potential of all sources of gas, including Gubik, the Nenana Basin and Cook Inlet.

Cost of Living

In a state where heating homes and transportation are major expenses, the cost of energy impacts the cost of living for all Alaskans. It's a double-edged sword, as oil funds about 85 percent of Alaska's state budget. Recent oil prices ranging from a high of \$140 per barrel down to \$30 have caused the Anchorage Consumer Price Index to surge upward, then flatten – from 4.6 in 2008 to 1.3 for the first half of 2009. Anchorage is the only city in Alaska for which a CPI is calculated.

In May, the Department of Administration released the Alaska Geographic Differential Study . The study reports that cost differences among cities on Alaska's limited road system haven't changed much. But places off the road system, including Interior and Southeast Alaska, have become even more expensive than they used to be.

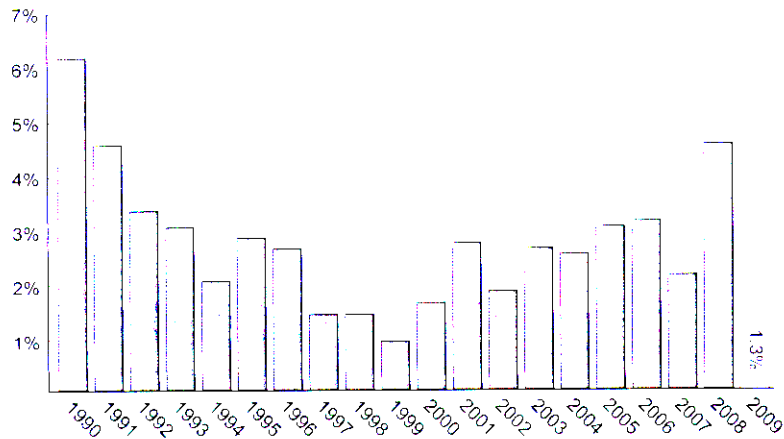
The geographic differential was established in Alaska Statute in 1961 to address differences in the cost of living in different areas of the state. But as important, it's a comprehensive study that compares the costs of living in one part of the state with another. The original study was completed in 1985, also by the McDowell Group in Juneau.

Volatile energy prices and a new geographic study

In Alaska, oil prices are usually discussed in the context of their impact on state revenue and budgets. With no state sales or income taxes, oil generates the dominant share of what state government spends.

But oil prices also have a large effect on consumer prices in a state where heating homes and transporting goods are major expenses. Oil prices shot up above \$140 in 2008 before falling back to around \$30 later in the same year. That unprecedented volatility affected Alaskans' household expenses in a variety of ways.

1 Energy Accounts for Recent Volatility Change in Anchorage CPI-U, 1990 to 2009



¹ The CPI for 2009 is the percent increase in the index from the first half of 2008 to the first half of 2009. All of the other percentages are the average of the index increases from the first and second halves of the previous years.

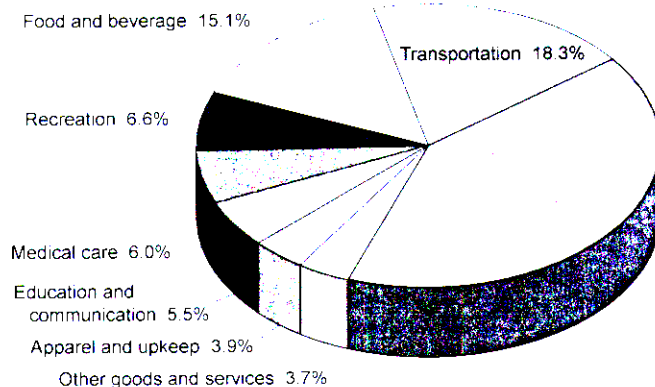
Source: U.S. Department of Labor, Bureau of Labor Statistics

Two ways to look at the cost of living

There are two basic ways to look at the cost of living. One is to examine the changes in prices over time. For that, the Consumer Price Index¹ is the most frequently used. It's referred to generically as the inflation rate and is used to adjust salaries and rents, among other things, so they keep pace with inflation.

The other way to measure the cost of living is to compare the costs of different locations during the same time period. This is the type of information that helps a person trying to decide whether it makes economic sense to relocate from one city to another or a company trying to equalize wages for employees in different cities. There are a variety of these types of measures available.

2 Most is Spent on Housing CPI weighting, December 2008



Source: U.S. Department of Labor, Bureau of Labor Statistics

High 2008 inflation, then a big drop in 2009

The Anchorage CPI² rose 4.6 percent in 2008 – the highest annual increase since 1991 – be-

¹ All references to the CPI in this article are to the CPI-U (Consumer Price Index for all Urban Consumers) produced by the U.S. Department of Labor's Bureau of Labor Statistics unless otherwise specified.

² Anchorage is the only Alaska city for which a consumer price index is calculated. A national CPI is produced every month and monthly CPI data are also available for the nation's four Census regions (Northeast, Midwest, South and West) and for three major metropolitan areas. Data for 11 smaller metropolitan areas are produced every two months. Anchorage is in a group of 13 smaller metropolitan areas for which data are published every six months.

fore falling to just 1.3 percent in the first half of 2009. (See Exhibit 1.) Despite the national recession and all the economic uncertainty of the last year, the explanation for both the high 2008 number and the low 2009 number is relatively simple: oil prices and related energy costs.

The overall index number is made up of eight different components or categories representing the different goods and services people spend money on. Each of the components is weighted in the overall index according to how large a share it makes up of the average consumer's expenditures. (See Exhibit 2.) The weights are adjusted periodically based on regular consumer surveys.

Of the eight components, the most notable change in the first half of 2009 compared to the first half of 2008 was transportation's drop of 5.4 percent. (See Exhibit 3.) The 3.9 percent increase in housing costs is potentially misleading since that number doesn't represent actual housing prices.

The Bureau of Labor Statistics tries to exclude the part of housing costs that is considered investment¹ with a complicated method that attempts to determine how much home owners could charge in rent for their houses, rather than just assessing what they're worth on the market.

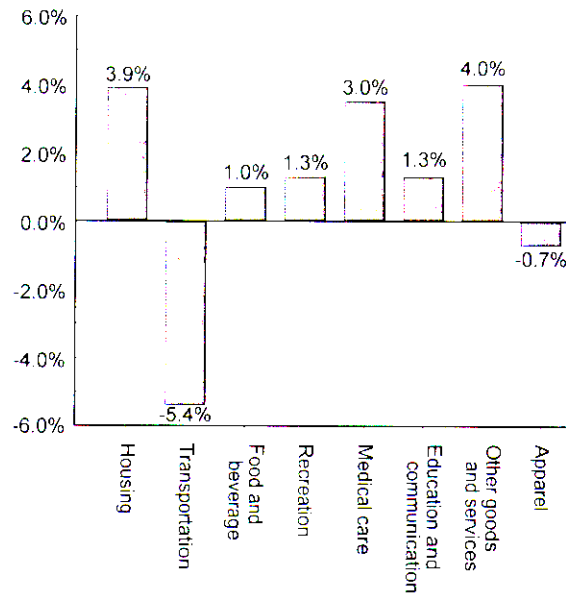
An unfamiliar direction for energy costs

Energy costs are not one of the eight separate components of the CPI, but they make up much of the transportation component and also affect, in differing degrees, the other seven.

As most consumers can attest, prices usually

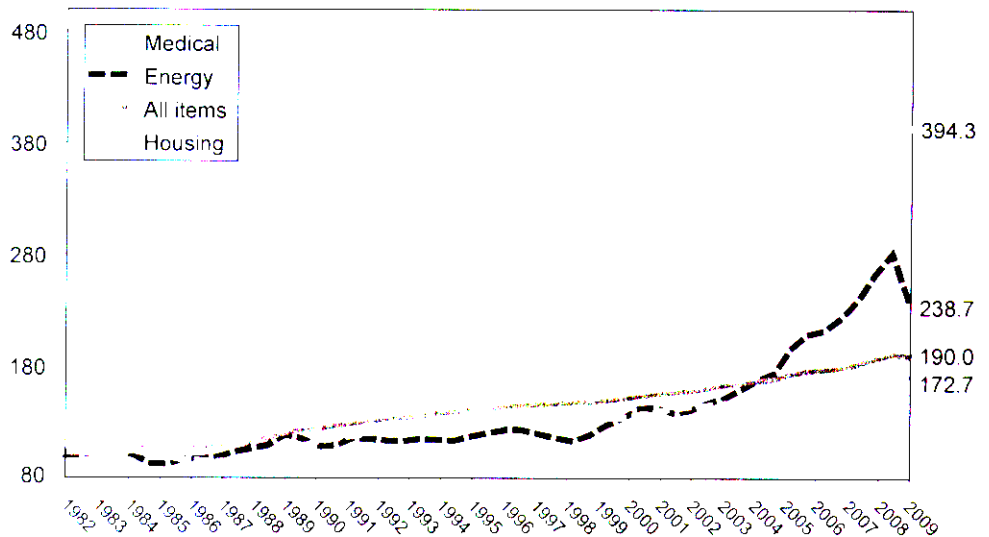
¹ Investments and other savings are not included in the CPI data since they are not considered expenditures

Behind the 1.3 Percent Increase by major CPI components, 2009¹ **3**



¹ Increase from first half of 2008 to first half of 2009
Source: U.S. Department of Labor, Bureau of Labor Statistics

Health Care and Energy Costs Stand Out Anchorage CPI, selected components, 1982 to 2009 **4**



Source: U.S. Department of Labor, Bureau of Labor Statistics

move in only one direction — up. Energy costs were an exception in the first half of 2009, providing welcome relief after several consecutive years of big increases. (See Exhibit 4.) The big decline in oil prices worked their way into significantly lower prices for everything from home heating oil to motor fuel.

5 Alaska's Wide Variety of Living Costs Geographic cost differentials by area, 2008

Anchorage	1.00
Mat-Su	0.95
Glennallen Region	0.97
Parks/Elliott/Steese Highways	1.00
Kenai Peninsula	1.01
Southeast Small Communities	1.02
Fairbanks	1.03
Delta Junction/Tok Region	1.04
Southeast Mid-Size Communities	1.05
Prince William Sound	1.08
Ketchikan/Sitka	1.09
Juneau	1.11
Kodiak	1.12
Roadless Interior	1.31
Southwest Small Communities	1.44
Arctic Region	1.48
Bethel/Dillingham	1.49
Aleutian Region	1.50

Source: The McDowell Group

6 Geographic Cost Differentials By community, 2008

Anchorage	1.00
Homer	1.01
Ketchikan	1.04
Petersburg	1.05
Valdez	1.08
Cordova	1.13
Sitka	1.17
Dillingham	1.37
Nome	1.39
Barrow	1.50
Bethel	1.53
Unalaska/Dutch Harbor	1.58
Kotzebue	1.61

Note: Anchorage was used as the base city and assigned a value of 1.00 from which comparisons of the other areas could be made. For example, Mat-Su's index number of 0.95 means that living costs there are 95 percent as high as Anchorage's; the Aleutian region's 1.50 index number means costs there are 150 percent as high as in Anchorage.

Source: The McDowell Group

Although energy costs have received much of the attention in recent years, over the longer term, nothing rivals the increase in health care costs. Since the mid-1980s, the cost of health care has risen more than twice as much as either housing or the broad all-items index.

The CPI can't be used for geographic comparisons

The CPI attempts to measure how much prices are rising over time, but it's not designed to say whether one location is more expensive than another. For that, a variety of other measures and studies are available.

The State of Alaska has a new cost of living standard

For the first time in nearly 25 years, Alaska's state government has a new comprehensive intrastate cost differential study. The state contracted with McDowell Group, a Juneau-based research and consulting firm, to update their 1985 study for the state.

Although the primary purpose for updating the study was to help the State equalize pay for state employees, it will also be useful to individuals and organizations because of its comprehensiveness – all areas of the state are covered – and detail. The study will answer almost any cost of living question that involves comparing the costs of one part of the state with another, whether it be a broad overall comparison of costs or a more detailed look at costs for food, clothing, housing, transportation, medical care or any of a number of other specific categories.³

Using data gathered from 2,547 household surveys in 74 communities and 634 retail outlet surveys in 58 communities, the study divides the state into 18 blocks with common demographic and geographic characteristics. (See Exhibit 5.) In addition to the 18 blocks, data for 12 individual communities that were large enough to provide statistically reliable data were published – not counting the ones that themselves made up a block such as Anchorage, Fairbanks and Juneau. (See Exhibit 6.)

Anchorage was used as the base city and assigned a value of 100 from which comparisons of the other areas could be made. Mat-Su's index number of 0.95, for example, means that living costs there are 95 percent as high as Anchorage's while the Aleutian region's 1.50 index number means costs there are 150 percent as high as in Anchorage.

Comparing the 2008 study with the one done in 1985 reveals that the cost differential of cities on Alaska's relatively limited road system haven't

³ The full report is available on the Alaska Department of Administration Web site. Go to alaska.gov, click on "Departments" in the gold ribbon at the top, then "Administration." Then click on the heading "Department of Administration," and "Alaska Geographical Differential Study" under "Quick Links."

changed much, but places off the road system have become even more expensive relative to Anchorage than they used to be. In the new study, Kotzebue's 161 index number was the highest and most of the remote areas exceeded 130.

The next highest category was communities that were off the road system but connected by the Alaska Marine Highway. These communities included Kodiak, Cordova, Juneau, and Sitka, among others. Communities with lower overall costs than Anchorage were those on the road system with housing costs below those in Anchorage.

ACCRA data show Alaska cities' high costs

Every quarter the ACCRA Cost of Living Index provides comparisons of living costs for about 300 urban areas in the United States. ACCRA's focus is on professional and managerial households with incomes in the top 20 percent for the area. It's often used by companies trying to equalize pay for their employees in different U.S. locations.

The annualized data for 2008 show that the three Alaska cities included in the ACCRA data were all at least 25 percent more expensive than the average ACCRA city. (See Exhibit 7.) Of the six detailed categories studied, the three Alaska cities all had higher than average costs with the exception of Anchorage utility costs.

Alaska Cities Generally More Expensive ACCRA¹ cost of living index, selected cities, 2008



	Items Index Costs	Grocery Items	Housing	Utilities	Transportation	Health Care	Miscellaneous Goods and Services
Anchorage	125.5	142.5	136.4	97.7	106.9	130.1	123.7
Fairbanks	136.1	125.9	149.6	199.2	110.8	140.2	117.0
Kodiak	125.1	149.1	116.8	146.2	116.4	128.0	119.5
West							
Portland, Ore.	116.1	106.9	132.2	92.9	108.6	106.5	116.2
Honolulu	162.8	155.8	252.5	134.4	116.5	111.4	116.8
San Francisco	172.1	128.6	292.9	98.6	113.4	120.3	130.5
Las Vegas	107.9	101.0	129.1	93.8	102.6	104.3	98.2
Reno, Nev.	110.6	110.4	123.7	94.4	102.1	110.0	106.8
Seattle	123.0	117.2	151.2	83.8	110.5	120.8	116.5
Spokane, Wash.	92.6	99.7	79.1	82.2	103.8	108.3	99.2
Tacoma, Wash.	109.9	116.0	118.7	83.1	106.9	122.8	107.4
Bellingham, Wash.	112.6	114.1	132.0	79.9	108.0	114.8	106.2
Boise, Idaho	95.8	94.4	87.7	91.0	102.5	102.8	101.7
Bozeman, Mont.	107.6	105.0	118.9	103.9	98.0	100.3	104.0
Cheyenne, Wyo.	101.5	110.0	104.5	108.9	95.9	97.9	95.7
Laramie, Wyo.	103.3	116.4	110.7	99.0	97.9	96.2	96.8
Southwest/Mountain							
Cedar City, Utah	92.0	98.7	89.5	80.1	97.2	87.7	94.2
Phoenix	101.1	103.4	100.1	90.9	100.2	99.4	104.8
Denver	105.0	108.5	110.3	96.3	97.2	105.8	104.0
Dallas	92.1	99.8	70.8	105.3	102.9	104.3	98.9
Midland, Texas	93.3	93.8	83.8	103.1	96.4	94.1	97.3
Midwest							
Fargo, N.D./Morehead, Minn.	93.3	99.4	83.7	102.1	94.8	98.4	95.8
Cleveland	96.3	103.2	87.2	105.9	100.1	103.1	96.8
Chicago	112.5	106.9	129.2	117.9	108.7	103.1	100.8
Southeast							
Orlando, Fla.	101.0	101.5	89.9	102.1	104.6	96.3	109.6
Mobile, Ala.	94.2	101.4	81.0	103.9	96.5	87.9	100.2
Atlanta, Ga.	97.2	98.9	91.3	87.6	103.0	102.0	102.1
Atlantic/New England							
New York City/Manhattan	219.8	142.4	409.6	167.3	120.2	132.6	141.8
Boston	133.6	115.9	156.7	140.6	108.1	133.6	126.4
Philadelphia	123.9	124.9	144.5	118.2	104.1	109.0	115.7

Note: Index numbers represent a comparison to the average for all cities for which ACCRA volunteers collected data. The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association. It's now produced by The Council for Community and Economic Research. The focus of the index, which has been published since 1968, is on professional and managerial households with incomes in the top 20 percent for the area.

Source: ACCRA Cost of Living Index

A bit of caution is in order for the Fairbanks housing costs, however, which are almost certainly too high. All other sources of housing data, including surveys of housing costs and McDowell Group's 2008 study, show Fairbanks' housing costs well below those of Anchorage and Kodiak.

ACCRA identified New York City-Manhattan as the most expensive city in the nation for the income group studied. Manhattan's index number

¹ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association, which gave the index its acronym. It's now produced by The Council for Community and Economic Research.

8 Low-Income Households Come Closer to Average

Runzheimer plan of living cost standards, February 2008

	Total Costs	Percent of Standard City	Taxation	Percent of Standard City	Transportation	Percent of Standard City	Housing	Percent of Standard City	Miscellaneous Goods and Services	Percent of Standard City
Alaska Composite	\$39,417	123.2%	\$2,448	80.5%	\$4,749	113.6%	\$24,498	136.7%	\$7,722	112.6%
Anchorage	\$41,522	129.8%	\$2,448	80.5%	\$4,934	118.0%	\$26,471	147.7%	\$7,669	111.8%
Fairbanks	\$35,112	109.7%	\$2,448	80.5%	\$4,714	112.8%	\$20,351	113.6%	\$7,599	110.8%
Juneau	\$41,616	130.1%	\$2,448	80.5%	\$4,599	110.0%	\$26,672	148.9%	\$7,897	115.1%
West										
Bellingham, Wash.	\$35,414	110.7%	\$2,448	80.5%	\$4,514	108.0%	\$20,994	117.2%	\$7,458	108.7%
Bend, Ore.	\$38,237	119.5%	\$2,723	89.5%	\$4,205	100.6%	\$24,635	137.5%	\$6,674	97.3%
Honolulu	\$57,071	178.3%	\$2,448	80.5%	\$5,240	125.4%	\$40,689	227.1%	\$8,694	126.7%
Lancaster, Calif.	\$37,149	116.1%	\$2,448	80.5%	\$4,865	116.4%	\$21,686	121.0%	\$8,150	118.8%
Los Angeles, Calif.	\$62,636	195.7%	\$2,448	80.5%	\$6,132	146.7%	\$45,824	255.7%	\$8,232	120.0%
Reno, Nev.	\$37,879	118.4%	\$2,448	80.5%	\$4,632	110.8%	\$23,380	130.5%	\$7,419	108.1%
Southwest/Mountain										
El Paso, Texas	\$29,894	93.4%	\$2,448	80.5%	\$4,377	104.7%	\$16,443	91.8%	\$6,626	96.6%
Fort Collins, Colo.	\$31,446	98.3%	\$2,736	89.9%	\$4,507	107.8%	\$17,645	98.5%	\$6,558	95.6%
Lake Havasu City, Ariz.	\$34,868	109.0%	\$2,610	85.8%	\$4,479	107.2%	\$20,667	115.3%	\$7,112	103.7%
Pinehurst, Idaho	\$27,367	85.5%	\$2,674	87.9%	\$4,182	100.0%	\$14,356	80.1%	\$6,155	89.7%
Salt Lake City, Utah	\$32,033	100.1%	\$2,808	92.3%	\$4,442	106.3%	\$18,294	102.1%	\$6,489	94.6%
Midwest										
Highland, Mich.	\$34,043	106.4%	\$2,448	80.5%	\$5,394	129.0%	\$19,118	106.7%	\$7,083	103.3%
Rapid City, S.D.	\$26,398	82.5%	\$2,448	80.5%	\$4,182	100.0%	\$13,607	75.9%	\$6,161	89.8%
Shawnee, Okla.	\$24,988	78.1%	\$3,181	104.6%	\$4,414	105.6%	\$10,960	61.2%	\$6,433	93.8%
Verndale, Minn.	\$30,176	94.3%	\$2,448	80.5%	\$4,605	110.2%	\$16,416	91.6%	\$6,707	97.8%
Southeast										
Augusta, Ga.	\$24,178	75.6%	\$3,033	99.7%	\$4,650	111.2%	\$10,175	56.8%	\$6,320	92.1%
Columbia, S.C.	\$26,042	81.4%	\$2,625	86.3%	\$4,280	102.4%	\$12,747	71.1%	\$6,390	93.1%
Cape Coral, Fla.	\$38,415	120.0%	\$2,448	80.5%	\$4,554	108.9%	\$24,508	136.8%	\$6,905	100.7%
Hessmer, La.	\$26,616	83.2%	\$3,036	99.8%	\$4,869	116.5%	\$12,057	67.3%	\$6,654	97.0%
Atlantic/New England										
Fairfax, Va.	\$44,941	140.4%	\$2,603	85.6%	\$4,645	111.1%	\$30,162	168.3%	\$7,531	109.8%
New York	\$55,946	174.8%	\$2,463	81.0%	\$5,441	130.2%	\$39,278	219.2%	\$8,764	127.8%
Egg Harbor City, N.J.	\$45,423	141.9%	\$2,743	90.2%	\$5,272	126.1%	\$30,547	170.5%	\$6,861	100.0%

Note: This exhibit shows how much more or less it would cost for a family of four to live in different cities while maintaining the same standard of living.
Source: Runzheimer International. Runzheimer's Living Cost Index. February 2008

of 219.8 means living costs there are more than twice as high as the average ACCRA city. The next highest cost city was San Francisco with an ACCRA index of 172.1.

A similar story for lower income households

The Runzheimer Plan of Living Cost Standards compares living costs at the other end of the income spectrum. The Runzheimer study is designed to show how much more or less it would cost for a family of four to live in different cities while maintaining the same standard of living.

According to the Runzheimer study, a family of four in Alaska would need at least 9.7 percent

more income and as much as 30.1 percent more income to keep the same standard of living as in the standard Runzheimer city. (See Exhibit 8.) The one advantage Alaska households have over the standard city is a lower than average tax burden.

Food costs about half as much in Fairbanks as it does in Barrow

Four times a year the University of Alaska Fairbanks' cooperative Extension Service posts the results of its Food Costs Survey. The survey covers a long list of Alaska communities and Portland, Ore. The price comparisons are made on a low-expense combination of food items that meet the minimum required levels of nutrition.

The survey also gathers information on costs for heating oil, gasoline costs and other things.

According to the March 2009 survey, a family of four enjoyed the lowest food costs in urban areas such as Fairbanks, Anchorage and Palmer-Wasilla. (See Exhibit 9.) The higher-cost communities such as Barrow, Dillingham, Nome and Bethel were those that had to rely on air transport for their food items much of the year.

Gas at \$9 per gallon in Arctic Village

According to the Alaska Department of Commerce, Community and Economic Development's semi-annual survey of fuel prices in 100 Alaska communities, the trickle down effect of falling oil prices hasn't yet made it to Arctic Village and a number of other Alaska communities. The February data show that regular gasoline costs \$9 in Arctic Village and nearly as much in a number of other communities. (See Exhibit 10.)

Not surprisingly, there was a noticeable correlation between costs and the methods by which the fuel had to be transported. Another thing the data show is the lag between the fall of oil prices and the time when rural consumers get the benefit of the lower prices. The prices in the remote communities reflect those from the summer of 2008, when oil was at its peak levels and when the fuel was delivered by barge. In contrast, the fuel prices for communities on the road system or those with year-round ice-free ports such as the Southeast communities reflect more current fuel prices.

The cost of owning and renting a home in Alaska

Under a contract with the Alaska Housing Finance Corporation, the Alaska Department of Labor and Workforce Development collects several types of housing data for 10 boroughs and census areas. (See Exhibits 11, 12 and 13.) For the first quarter of 2009, the average price of homes sold was highest in Anchorage and lowest in the Kenai Peninsula Borough.

Rent for a two-bedroom apartment showed roughly the same pattern of high and low cost

Rural Alaskans Pay More Food, fuel and lumber costs, March 2009

9

	Food at Home for a Week ¹	One Gallon Heating Oil	One Gallon Gasoline	One Gallon Propane	Lumber 2x4x8
Anchorage	\$128.16	\$2.83	\$2.16	\$4.33	\$1.95
Barrow	\$333.00	--	--	--	--
Bethel	\$263.36	\$6.00	\$5.59	\$8.43	\$5.13
Cordova	\$208.17	\$3.00	\$3.50	\$4.77	\$4.48
Delta	\$171.93	\$2.32	\$2.76	\$3.15	\$2.95
Dillingham	\$274.70	\$6.28	\$6.33	\$6.84	\$5.75
Fairbanks	\$125.87	\$2.48	\$2.43	\$3.52	\$4.22
Homer	\$169.52	\$1.83	\$2.72	\$3.19	\$2.43
Juneau	\$143.83	\$2.87	\$2.34	\$3.17	\$2.49
Kenai - Soldotna	\$149.09	\$1.73	\$2.57	\$3.85	\$2.28
Ketchikan	\$150.33	\$2.69	\$2.10	\$3.58	\$2.39
Nome	\$216.74	\$5.29	\$4.99	\$7.17	\$5.99
Palmer - Wasilla	\$126.25	\$2.69	\$2.36	\$4.20	\$2.47
Portland, Ore.	\$102.36	\$2.78	\$1.96	\$2.85	\$1.68
Seward	\$186.20	\$2.13	\$2.79	\$3.64	\$2.60
Sitka	\$176.74	\$2.50	\$2.47	\$3.59	\$2.58
Valdez	\$174.19	\$2.53	\$2.96	\$3.30	\$4.25

¹ The weekly cost for a family of four with children ages 6 to 11
Source: University of Alaska Fairbanks, Cooperative Extension Service

Rural Alaska Pays Fuel Premium Fuel price survey, February 2009

10

Selected Communities ¹	One Gallon Heating Oil	One Gallon Gasoline	Method of Transportation
Akiak	\$6.45	\$6.25	Barge
Arctic Village	\$9.50	\$9.00	Air
Atkasuk ²	\$1.40	\$4.10	Barge/Air
Barrow ³	--	\$4.50	Barge
Brevig Mission	\$7.00	\$6.80	Barge
Chenega Bay	\$5.60	\$5.70	Barge
Delta Junction	\$2.36	\$2.70	Truck
Dillingham	\$6.12	\$5.76	Barge
Emmonak	\$8.71	\$7.25	Barge
Fairbanks	\$2.23	\$2.47	Refinery/Truck
Gambell	\$7.88	\$7.26	Barge
Homer	\$2.08	\$2.69	Barge/Truck
Hoonah	\$3.50	\$2.89	Barge
Hooper Bay	\$7.37	\$7.16	Barge
Huslia	\$7.00	\$7.00	Barge
Hughes	\$8.55	\$8.50	Air
Juneau	\$3.02	\$2.20	Barge
Kodiak	\$3.10	\$2.85	Barge
Kotzebue	\$6.35	\$7.25	Barge
Nelson Lagoon	\$5.96	\$5.71	Barge
Nenana	\$2.53	\$2.76	Truck
Nondalton	\$5.35	\$5.95	Air
Petersburg	\$2.62	\$2.63	Barge
Port Lions	\$7.42	\$6.66	Barge
Russian Mission	\$6.15	\$6.05	Barge
Unalaska	\$3.44	\$3.00	Barge
Valdez	\$2.65	\$2.86	Refinery/Barge

¹ This is just a partial list of the 100 communities surveyed

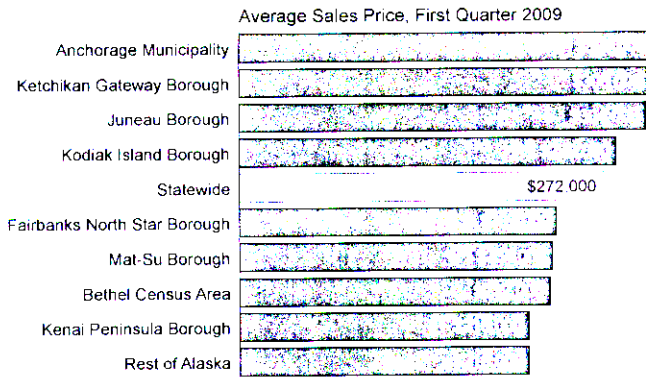
² The North Slope Borough subsidizes heating fuel prices

³ Barrow uses natural gas as a source of heat

Source: Department of Commerce, Community and Economic Development, Current Community Conditions: Fuel Prices Across Alaska, February 2009 Update. More current 2009 data to be available in August

11 The Cost of Single-Family Homes

Costs are highest in Anchorage



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation. Alaska Quarterly Survey of Mortgage Lending Activity

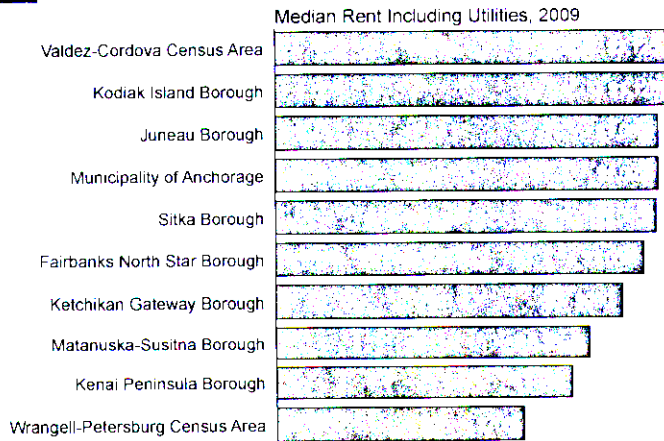
areas with Valdez-Cordova being the most expensive location and Wrangell-Petersburg the least. Overall, Anchorage, Juneau and Kodiak tended to be more expensive places to both own and rent and the Kenai Peninsula and Mat-Su boroughs were less expensive.

Affordability index combines housing costs with wages

High housing costs don't necessarily make housing less affordable to people living in the area if wages are at least high enough to compensate. The Alaska Housing Finance Corporation's affordability index combines wage and housing data to determine the average number of wage earners it would take in 10 different locations to afford the average sales price of a house in the area. (See Exhibit 13.)

12 Rent for a Two-Bedroom Apartment

Wrangell-Petersburg pays the least



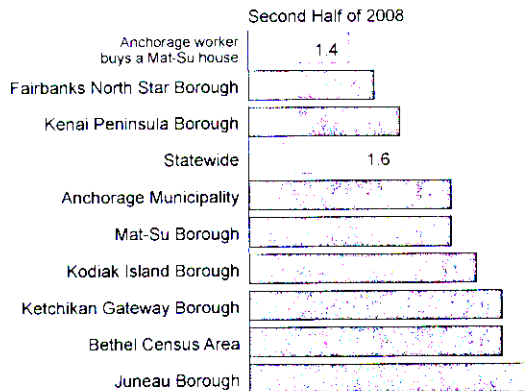
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation. 2009 Rental Market Survey

Although the Mat-Su Borough has some of the lowest-cost housing in the state, housing there is no more affordable for people who both live and work in the borough than it is for people who both live and work in Anchorage. The reason is that wages are also lower than average for Mat-Su workers.

The lowest cost combination of the areas studied is for people who work in Anchorage – earning higher than average wages – and live in the Mat-Su Borough's less expensive housing. Of the area's studied, housing is least affordable in Juneau, where it takes 2.1 wage earners to afford the average house. That's the result of Juneau having a combination of wages that are below the statewide average and housing costs that are above it.

13 Where is Housing Most Affordable?

Wage earners needed to buy average house



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation

Military cost-of-living index

To equalize payments to military personnel, the Department of Defense produces a cost-of-living index for all of its overseas locations and includes Alaska and Hawaii in the index. The index doesn't include housing costs, which are covered by a separate calculation, but does compare prices for about 120 goods and services including food, clothing, transportation, medical care and utilities.

The index is an asset to any discussion of Alaska's cost of living because it includes 24 Alaska

communities. The 2009 index shows especially high prices in Barrow, Bethel, Nome and Wainwright and lower prices in Wasilla, Anchorage and Fairbanks, among others. (See Exhibit 14.)

For the most part, the military index confirms what the other measures and studies show: in Alaska, unlike most of the rest of the country, rural living generally means expensive living because of the high cost of transporting food, fuel and other goods.

Military Cost-of-Living Allowances OCONUS¹ Index, Alaska 2009

14

Wasilla	120
Anchorage	122
Clear AFS	124
College	124
Fairbanks	124
Delta Junction	126
Juneau	128
Kodiak	128
Spuce Cape	128
Unalaska	128
Homer	130
Kenai (includes Soldotna)	130
King Salmon (includes Bristol Bay Borough)	130
Seward	130
Tok	132
Cordova	134
Valdez	134
Sitka	136
Ketchikan	138
Petersburg	138
Barrow	152
Bethel	152
Nome	152
Wainwright	152

¹ OCONUS is an acronym for Outside the Continental U.S. Alaska is counted as an OCONUS location for purposes of the index.
Source: Department of Defense, effective date June 2009

Reporting Accidents in Alaska

Alaska Statute 18.60.058 requires that an employer report any accident which causes in-patient hospitalization of one or more employees. The report can be made in person to the nearest office of the Division of Labor Standards and Safety:

Anchorage: 3301 Eagle Street, Suite 305
Juneau: 1111 West 8th Street, Suite 304
Fairbanks: 675 7th Avenue, Station J1

or by telephone to: (800) 770-4940 (Toll Free from within Alaska) or
(907) 269-4940 (8 a.m. to 5 p.m. Monday - Friday, Alaska time)

or by telephone to: The Federal OSHA accident reporting toll free number
(800) 321-6742 (After 5 p.m. or on weekends and holidays)

The report must relate the following:

- The name of the establishment
- The location and time of the accident
- A contact person and their telephone number
- A brief description of the accident
- The number of fatalities or hospitalized employees
- The extent of any injuries.

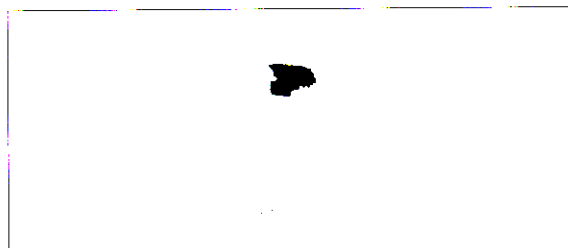
The report must be made immediately but no more than **eight hours after** receipt by the employer of information that the accident has occurred.

A look at an economy in the remote North

The Arctic Circle runs right through the Northwest Arctic Borough, which is in northwest Alaska and is about the size of Indiana. The borough stretches across 35,989 square miles of land and 4,864 square miles of water. It is bordered on the north by the North Slope Borough and on part of the west by the Chukchi Sea.

The Northwest Arctic Borough is made up of 11 communities including Kotzebue, its regional hub and borough seat of government. The borough was formed in 1986 when its population was 5,400. (See Exhibit 1.) It has since grown to 7,400 in 2008, but the density is still less than one person for every four square miles.

The borough was formed along the same boundaries as the land owned by the NANA



Regional Corporation, one of the state's 13 Native regional corporations created under the Alaska Native Claims Settlement Act of 1971. The borough's 11 villages formed village corporations under ANCSA as well.

The borough's residents are primarily Inupiat Eskimo. Northwest Alaska has been inhabited by their ancestors and the ancestors of other indigenous groups for more than 10,000 years. Some of the communities in the borough started as hunting camps or winter villages and have been inhabited for generations. Others developed around churches, points of trade, schools or mining camps.

The borough's communities are not connected by roads. Instead, people travel mostly by plane – Kotzebue, for instance, gets daily jet service from Anchorage. Small propeller-driven planes serve the area villages outside of Kotzebue.

Other popular modes of travel are by snow machine, four-wheeler and dog sled. There are cars and trucks, most of which are in Kotzebue. In winter months, vehicles travel on ice roads between communities. Ice roads are paths over the frozen rivers and sloughs scraped free of snow wide enough for vehicles to travel upon. In the warmer months small boats are used to travel between communities along the rivers.

Government, health care and mining, in that order, are the borough's biggest industries as

1 Borough Communities are Growing Population and enrollment, 2000 and 2008

Area Name	Year of Incorporation	Population		K-12 School Enrollment 2008-2009
		Estimate 2008	Census 2000	
Northwest Arctic Borough	1986	7,407	7,208	1,862
Ambler	1971	259	309	57
Buckland	1966	458	406	158
Deering	1970	133	136	29
Kiana	1964	383	388	102
Kivalina	1969	406	377	108
Kobuk	1973	109	109	35
Kotzebue	1958	3,126	3,082	701
Noatak CDP ¹		512	428	149
Noorvik	1964	642	634	198
Red Dog Mine CDP ¹		34	32	0
Selawik	1977	846	772	252
Shungnak	1967	272	256	73
Remainder of Northwest Arctic Borough		227	279	0

Notes:

All communities listed are Alaska Native Village Statistical Areas, with the exception of the Red Dog Mine Census Designated Place. A Census Designated Place is a closely settled unincorporated population center; an ANVSA is the settled area associated with each Alaska Native Village.

¹ CDP is an abbreviation for Census Designated Place.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit; Alaska Department of Education and Early Development; U.S. Census Bureau

far as employment. And, like elsewhere in Alaska, particularly in the Bush, residents rely heavily on subsistence hunting and fishing as a means of supplementing these wage and salary jobs.

A young population

The 2008 median age of population in the Northwest Arctic Borough was just under 23 years old, making it the state's second-youngest borough or census area, behind only the Wade Hampton Census Area with a median age of 19.4. (The state's was 33.5 years in 2008.) Thirteen percent of the Northwest Arctic Borough's population was under 5 in 2008, compared to 8 percent statewide.

A young borough population translates to higher birthrates. The borough's birthrate in 2008 was the highest of all Alaska's boroughs and census areas at 29.1 births per 1,000 residents. In comparison, the North Slope Borough's was 27.4, and the Bethel Census Area's was 26.3; Anchorage Municipality's was 15.8.

Despite the high birthrate, the borough's recent population growth has been fairly modest. (See Exhibit 2.) Since 2000, the borough has grown less than 3 percent while the state has increased by 7.5 percent.

A borough apart from the state

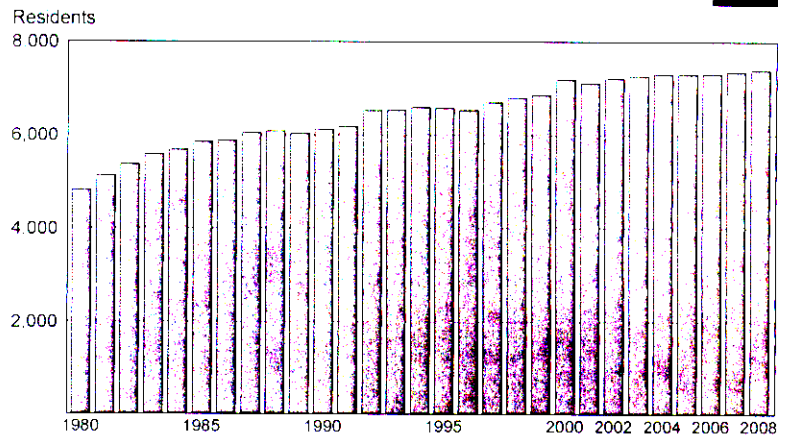
Alaska Natives made up 82.5 percent of the Northwest Arctic Borough's population in 2000, but only 15.6 percent of the state's. Within the borough only 5 percent of the population in 2000 identified themselves as a race other than Alaska Native or white compared to 15 percent for the state. (See Exhibit 3.)

The average household size in the borough was also different from the state's. The average household size for the borough in 2000 was 3.9 people; the average size statewide was 2.7.

One big difference between the borough and the state is the relative importance of transfer payments as a portion of personal income. Transfer payments are income received for which no services are performed. It consists of

Modest Population Growth Northwest Arctic Borough, 1980 to 2008

2



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

payments to individuals by federal, state, and local governments. Sources of these kinds of payments include the Alaska Permanent Fund dividend – a major piece – retirement checks, Social Security checks, veterans' and Medicare benefits, family assistance and food stamps.

Transfer payments are undeniably important to Northwest Arctic Borough residents. Transfer payments, including the PFD, make up a higher percentage of the borough's personal income than the state average. (See Exhibit 4.) In 2007, transfer payments made up 32 percent of the borough's personal income compared to 16 percent for the state overall.

The lack of payroll jobs is one reason for the high percentage of transfer payments. Jobs are scarce in the borough's remote communities, making paychecks a smaller part of income than statewide. On average, in 2008, about 35 percent of the population of the Northwest Arctic Borough worked in a wage and salary job. Over that same period, close to 50 percent of the state population worked in a salaried job.

Local government a major employer

Forty percent of the Northwest Arctic Borough's employment is in government compared to 25 percent for the state. (See Exhibit 5.) Yet, 11 other boroughs and census areas in the state have higher government employment percentages than the borough.

3 Census Profile of Residents Northwest Arctic Borough and Alaska, 2000

	2000 Census	
	Northwest Arctic Borough	Alaska
Age		
Median age	24	32
Under 5 years	10.7%	7.6%
18 years and over	58.5%	69.6%
65 years and over	5.0%	5.7%
Race and Ethnicity		
White	12.3%	69.3%
Black or African American	0.2%	3.5%
American Indian and Alaska Native	82.5%	15.6%
Asian	0.9%	4.0%
Native Hawaiian and Other Pacific Islander	0.1%	0.5%
Other	0.4%	1.6%
Two or more races	3.7%	5.4%
Hispanic (of any race)	0.8%	4.1%
Gender		
Female	46.6%	48.3%
Male	53.4%	51.7%
Born in Alaska		
Percentage of population born in Alaska	85.8%	38.1%
Residence		
Percentage of population who lived in the same house in 2000 as in 1995	60.2%	46.2%
Educational Attainment		
Less than 9th grade	14.4%	4.1%
9th to 12th grade, no diploma	13.6%	7.5%
High school graduate	40.4%	27.9%
Some college, without degree	15.9%	28.6%
Associate degree		
Bachelor's degree	8.0%	16.1%
Graduate or professional degree	4.7%	8.6%
Income		
Families below poverty level	15.0%	6.7%
Median household income	\$45,976	\$51,571
Home Heating Fuel		
Fuel oil, kerosene and other	88.9%	35.8%
Wood	6.3%	3.7%

Source: U.S. Census Bureau, Census 2000

More than a third of all payroll employment – 1,000-plus jobs – is local government related. Most of these jobs are public school teachers, local safety officers and various public administrative workers. The Northwest Arctic Borough School District was the largest employer in the borough in 2008.

The school district was one of a handful of employers that were on the top ten largest employers list in 2000 and 2008. (See Exhibit 6.) Only two employers, CH2M Hill (formerly VECO) and Nullagvik Hotel, didn't stay in the top 10 in 2008. Both still employ people in the borough, but their employment numbers no longer keep them in the top 10.

State and federal employment is also included in government employment, but combined they

are about one-tenth the size of local government employment. (See Exhibit 7.)

Health services and mining dominate private industry

Health care and mining are the borough's next largest industries after local government. The major employers in those industries are the Maniilaq Association and the Red Dog Mine. They are the second- and third-largest employers in the borough.

The Maniilaq Association, a nonprofit corporation that has been operating for more than 40 years, is the borough's largest private-sector employer in 2008. It is involved in health and social services, operating the 88,000-square-foot Maniilaq Health Center in Kotzebue – the primary health care facility in the borough – and 11 village health clinics in each of the borough's smaller communities and in Point Hope, just outside the borough.

Maniilaq provides a host of other services, ranging from running the Kotzebue Senior Center and arranging for home care for the elderly to teaching the Inupiat language, history and survival skills, and giving vegetable starts to residents.

The Red Dog Mine, a zinc-lead mine 82 miles north of Kotzebue, is the world's biggest producer of zinc concentrate and is the state's largest operating mine. Teck Cominco Alaska – a U.S. subsidiary of Teck Cominco Ltd., headquartered in Vancouver, Canada – has operated the open-pit mine since 1989 in partnership with NANA Corporation who owns the land. A 52-mile haul road used to transport ore concentrate from the mine to a shipping facility on the Chukchi Sea was completed a year earlier.

The mine provides hundreds of mining jobs to the borough. Many contractors, support service providers and supply vendors provide jobs in the borough in connection with the mine.

Well-paid and stable year-round jobs, such as those created by the Red Dog Mine, are in short supply in the borough, as well as in most rural areas of Alaska.

Fourth-largest employer also in the mining business

NANA Management Services, the fourth-largest employer in the borough and a subsidiary of NANA Regional Corporation, is one of the several companies tied to Red Dog that made the list of top 10 largest employers.

NANA Management Services provides camp and fuel services, drug testing and safety training security to the Red Dog Mine, as well as to mines and oil and gas companies outside the borough. NANA Management Services also provides health care, hospitality, federal contracting and tribal services to residents in the borough.

A smaller piece of the economy

Although residents of the Northwest Arctic Borough who commercially fish have decreased since the 1980s, it is still an integral piece of the economy and an important source of income. The number of permit holders has decreased from 235 in 1986 to just 130 in 2008. That is far fewer permits held than in other coastal boroughs, like Kodiak Island and Bristol Bay, where commercial fishing is so prominent.

Most borough commercial fishers participate in the salmon fisheries, either locally or elsewhere in Alaska. The Kotzebue area does have a small commercial chum salmon harvest. Fishermen also fish for crab, herring and other finfish.

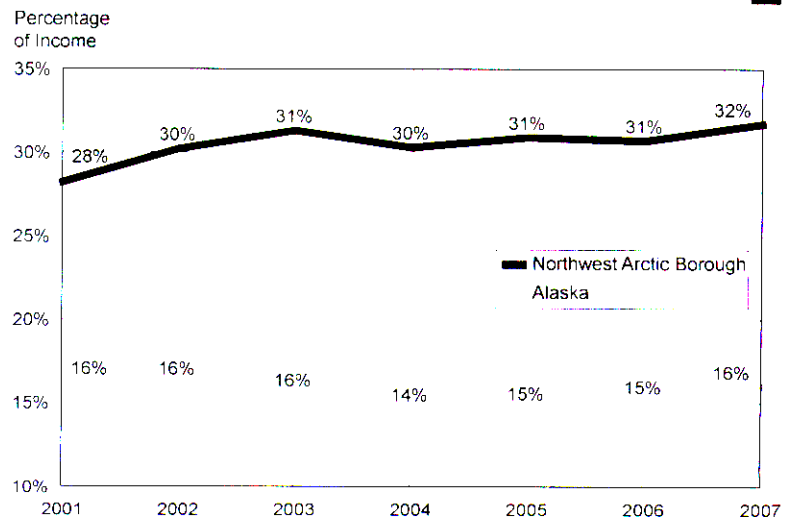
Subsistence fishing and hunting

As mentioned earlier, subsistence is an important piece of the borough's economy. Chum salmon and caribou are the most important food sources. Freshwater fish, moose, bear, and berries are also harvested.

Communities away from the coast rely heavily on caribou, birds, bird eggs and berries. Coastal communities depend more on seals and walrus. And, some communities, such as Kivalina, still hunt beluga whales as their ancestors have done for thousands of years.

Percent of Income from Transfer Payments Northwest Arctic Borough and Alaska, 2001 to 2007

4



Source: U.S. Department of Labor, Bureau of Labor Statistics

Wage and Salary Employment Northwest Arctic Borough, 2008

5

	Average Monthly Employment	Average Monthly Wages
Total Public and Private Employment	2,888	\$3,966
Construction	63	\$6,896
Trade, Transportation and Warehousing	304	\$3,043
Retail Trade	161	\$1,650
Food and Beverages	17	\$1,074
General Merchandise	127	\$1,693
Transportation and Warehousing	121	\$4,453
Air Transportation	96	\$4,452
Information	55	\$4,827
Financial Activities	135	\$3,420
Leisure and Hospitality	174	\$2,706
Other Services	44	\$1,282
Government	1,156	\$2,627
Federal Government ¹	47	\$4,226
State Government ²	69	\$4,872
Local Government ³	1,040	\$2,406

¹ Excludes the uniformed military

² Includes the University of Alaska

³ Includes the public school system

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis; U.S. Department of Labor, Bureau of Labor Statistics

Subsistence helps offset the high cost of living in the borough. A McDowell Group study released in April 2009 found that the Arctic region was 48 percent more expensive to live in than Anchorage. Kotzebue was 61 percent more expensive. (The study does not take into account the money saved from living a subsistence lifestyle.)

¹ Alaska Geographic Differential Study 2008, McDowell Group

6 School District is Still the Largest Employer

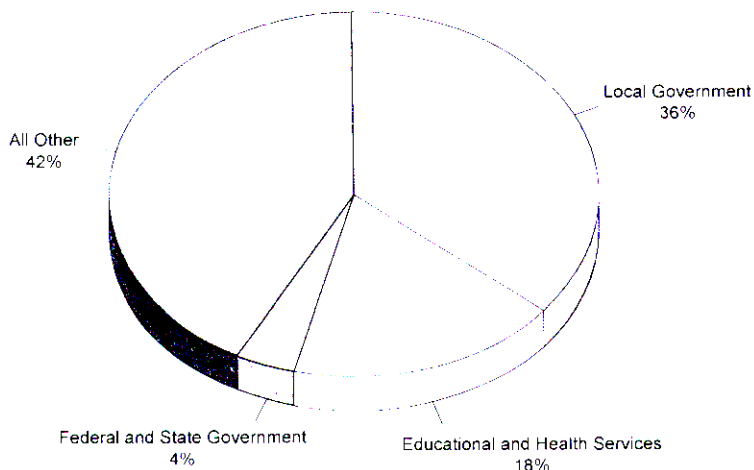
Top 10 private and government employers, 2008 versus 2000

2008			2000		
		Average Monthly Employment			Average Monthly Employment
1	Northwest Arctic Borough School District	500-999	1	Northwest Arctic Borough School District	477
2	Maniilaq Association	500-999	2	Teck Cominco Alaska (Red Dog Mine)	459
3	Teck Cominco Alaska (Red Dog Mine)	250-499	3	Maniilaq Association	446
4	NANA Management Services	50-99	4	Kikiktagrak Inupiat Corporation	72
5	Kikiktagrak Inupiat Corporation	50-99	5	City of Kotzebue	66
6	City of Kotzebue	50-99	6	NANA/Lynden Logistics	59
7	Alaska Commercial Company	50-99	7	VECO (now CH2MHill)	53
8	Noatak Lions Club	50-99	8	Nullagrak Hotel	50
9	Northwest Inupiat Housing Authority	20-49	9	Northwest Inupiat Housing Authority	44
10	OTZ Telephone Cooperative	20-49	10	Alaska Commercial Company	43

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

7 Local Government a Major Employer

Borough employment by industry, 2008



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Staying warm

While subsistence helps with high food costs, it does not help with one of largest costs of living in the Arctic – high energy prices. The long, cold winters – temperatures often get to -30 degrees – require a lot of fuel oil. Transporting fuel oil such long distances accounts for most of the difference in the cost of living between the borough and Anchorage. In Kotzebue in February 2009, residential heating fuel was \$6.35 a gallon and gasoline was \$7.25.

Heating oil and gasoline are delivered by barge during the ice free months of summer and are stored in large storage tanks until sold. If fuel runs out before the fuel barges return the following year, it then has to be delivered by plane. Due to its northern location, Kotzebue's shipping season for barge traffic is a short 100-day period typically from early July until early October.

As transportation and fuel costs increase, wind power is gaining popularity as a way for communities to reduce their dependence on diesel-powered generators. The Kotzebue Electric Association has installed 17 wind turbines, drastically reducing its diesel consumption.

Planes are vital

Planes are vital to life in the borough. Commercial jet aircraft, as mentioned earlier, fly to and from Kotzebue's state owned airport each day delivering passengers, freight, groceries and mail. Smaller air taxis and charter planes fly to the borough's outlying locations and communities delivering goods and services and transporting people. Planes are particularly essential for emergency medical evacuations.

Still a high cost place to live

Fossil fuel alternatives, like large wind turbines, should make energy in the borough relatively more affordable and decrease heating costs. However, transportation of cargo and passengers to this far north corner of the state will not get any cheaper. Yet, despite the costliness of life in the Northwest Arctic Borough, people will continue to make it their home as they have for thousands of years and businesses will continue to operate there to serve them.

Alaska's economy affected by national recession

There are two clear messages in Alaska's recent unemployment and job numbers. The first is that the deep national recession is having a negative effect on the state's economy. The second is that the economic distress for Alaska is still very mild compared to what the nation is experiencing.

June unemployment numbers

Alaska's seasonally adjusted unemployment rate was essentially unchanged in June, rising a statistically insignificant one-tenth of a percentage point to 8.4 percent. May's rate was revised down one-tenth of a percentage point to 8.3 percent.

There was similar lack of meaningful movement for the U.S. unemployment rate, which rose from 9.4 percent to 9.5 percent.

Over the last year, though, both the state and nation have seen consistently rising unemployment rates. Alaska's rate has climbed about two percentage points to a level not seen since 1992 and the nation's has climbed nearly four percentage points to a 26-year high.

June job numbers

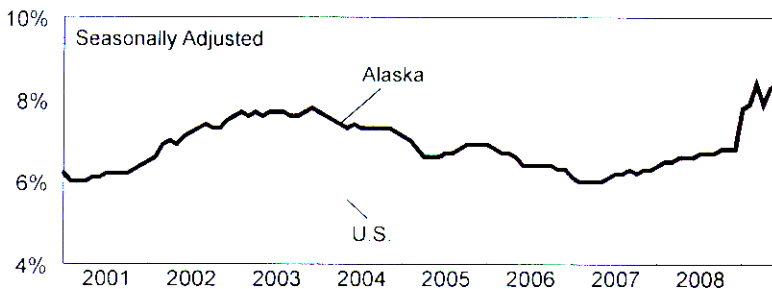
Payroll jobs in Alaska grew by an estimated 13,400 in June with most of the growth coming from seafood processing, construction and tourist-related industries. Payroll jobs are those for which a person receives a wage or salary. Fishermen and other self-employed workers are not included in the numbers.

From January to June, Alaska added about 35,000 jobs, but that increase is noticeably smaller than the 40,000 the state has added over those same five months in recent years. As a result, Alaska's job count fell slightly below year-ago levels in May and remained there in June.

But Alaska's over-the-year loss of 1,100 jobs in June equates to a decline of just 0.3 percent. With percentages that small – and with preliminary numbers that are subject to later revision – it's hard to say for certain how much to make of the losses. Whatever the specifics turn out to be, the underlying trend is more definite: job growth has slowed significantly in 2009, and that there's a strong possibility that the state's 21-year streak of growth will be derailed this year.

For even casual watchers of the national economy, it should be no surprise that the recession is finally having a noticeable impact on Alaska. Tourism, retail trade and the construction industries are all struggling to cope with national trends of reluctant consumer spending, tighter credit and a shaky U.S. housing market. To date, the impact has been shallow with job losses nowhere near as large as the nation's, thanks primarily to the state's oil-based economy and its lack of manufacturing jobs of the type that have been disappearing from the U.S. economy in large numbers.

1 Unemployment Rates, Alaska and U.S. January 2001 to June 2009



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

2 Nonfarm Wage and Salary Employment

Alaska	Preliminary	Revised	Revised	Changes from:	
	6/09	5/09	6/08	5/09	6/08
Total Nonfarm Wage and Salary ¹	339,800	326,400	340,900	13,400	-1,100
Goods-Producing ²	50,200	42,800	51,200	7,400	-1,000
Service-Providing ³	289,600	283,600	289,700	6,000	-100
Natural Resources and Mining	15,800	15,400	15,500	400	300
Logging	300	300	300	0	0
Mining	15,400	15,100	15,200	300	200
Oil and Gas	13,200	13,000	12,800	200	400
Construction	18,700	16,500	19,900	2,200	-1,200
Manufacturing	15,700	10,900	15,800	4,800	-100
Wood Product Manufacturing	300	300	400	0	-100
Seafood Processing	11,600	6,500	11,600	5,100	0
Trade, Transportation, Utilities	67,500	64,400	69,000	3,100	-1,500
Wholesale Trade	6,600	6,500	6,800	100	-200
Retail Trade	37,000	35,900	37,900	1,100	-900
Food and Beverage Stores	6,600	6,300	6,700	300	-100
General Merchandise Stores	9,600	9,600	9,800	0	-200
Transportation, Warehousing, Utilities	23,900	22,000	24,300	1,900	-400
Air Transportation	6,400	6,100	6,900	300	-500
Truck Transportation	3,300	3,200	3,400	100	-100
Information	7,200	7,100	7,000	100	200
Telecommunications	4,700	4,600	4,400	100	300
Financial Activities	15,000	15,000	15,200	0	-200
Professional and Business Services	27,800	26,900	27,700	900	100
Educational⁴ and Health Services	38,600	38,800	37,500	-200	1,100
Health Care	28,200	28,300	27,100	-100	1,100
Leisure and Hospitality	38,200	34,100	38,800	4,100	-600
Accommodations	11,000	8,900	11,100	2,100	-100
Food Services and Drinking Places	21,600	20,500	22,000	1,100	-400
Other Services	11,700	11,500	11,700	200	0
Government	83,600	85,800	82,800	-2,200	800
Federal Government ⁵	17,600	17,200	17,800	400	-200
State Government	24,800	26,000	24,200	-1,200	600
State Government Education ⁶	5,900	7,800	5,800	-1,900	100
Local Government	41,200	42,600	40,800	-1,400	400
Local Government Education ⁷	22,300	24,000	21,700	-1,700	600
Tribal Government	3,800	3,500	3,700	300	100

Notes for Exhibits 2 and 4

¹ Excludes the self-employed, fishermen and other agricultural workers, and private household workers; for estimates of fish harvesting employment, and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm

² Goods-producing sectors include natural resources and mining, construction and manufacturing.

³ Service-providing sectors include all others not listed as goods-producing sectors.

⁴ Private education only.

⁵ Excludes uniformed military.

⁶ Includes the University of Alaska.

⁷ Includes public school systems.

⁸ Fairbanks North Star Borough.

Sources for Exhibits 2 and 3: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics
Sources for Exhibit 4: Alaska Department of Labor and Workforce Development, Research and Analysis Section; also the U.S. Department of Labor, Bureau of Labor Statistics, for Anchorage/Mat-Su

3 Unemployment Rates By borough and census area

SEASONALLY ADJUSTED	Prelim.	Revised	Revised
	6/09	5/09	6/08
United States	9.5	9.4	5.6
Alaska Statewide	8.4	8.3	6.6
NOT SEASONALLY ADJUSTED			
United States	9.7	9.1	5.7
Alaska Statewide	8.5	8.0	6.6
Anchorage/Mat-Su Region	7.9	7.3	6.0
Municipality of Anchorage	7.3	6.8	5.6
Mat-Su Borough	9.9	9.2	7.5
Gulf Coast Region	9.3	9.2	7.3
Kenai Peninsula Borough	9.8	9.8	7.1
Kodiak Island Borough	8.5	7.6	9.1
Valdez-Cordova Census Area	7.6	8.5	6.4
Interior Region	8.2	7.6	6.7
Denali Borough	3.2	4.4	2.3
Fairbanks North Star Borough	7.8	7.1	6.3
Southeast Fairbanks Census Area	10.0	10.0	8.1
Yukon-Koyukuk Census Area	16.2	15.8	14.0
Northern Region	10.6	9.8	9.4
Nome Census Area	13.8	12.7	12.2
North Slope Borough	5.5	5.0	5.0
Northwest Arctic Borough	15.1	14.2	12.9
Southeast Region	7.5	7.3	5.8
Haines Borough	8.2	8.5	7.6
Juneau Borough	6.4	5.7	4.7
Ketchikan Gateway Borough ¹	6.8	7.0	5.2
Prince of Wales-Outer Ketchikan CA ¹	14.7	15.4	11.2
Sitka Borough	6.7	6.6	5.5
Skagway-Hoonah-Angoon CA ¹	8.8	9.5	6.8
Wrangell-Petersburg Census Area ¹	11.1	11.0	9.7
Yakutat Borough	6.9	8.1	5.9
Southwest Region	14.8	15.9	12.4
Aleutians East Borough	10.5	14.9	8.7
Aleutians West Census Area	8.3	14.6	6.2
Bethel Census Area	17.3	16.3	15.3
Bristol Bay Borough	3.2	5.2	2.5
Dillingham Census Area	12.3	13.3	10.0
Lake and Peninsula Borough	8.6	9.2	6.3
Wade Hampton Census Area	31.3	25.0	26.2

¹ Because of the creation of new boroughs, this borough or census area has been changed or no longer exists. Data for the new borough and census areas will be available in 2010. Until then, data will continue to be published for the old areas.

4 Nonfarm Wage and Salary Employment By region

	Preliminary	Revised	Revised	Changes from:		Percent Change:	
	6/09	5/09	6/08	5/09	6/08	5/09	6/08
Anch/Mat-Su	176,100	172,400	176,500	3,700	-400	2.1%	-0.2%
Anchorage	155,900	153,000	156,600	2,900	-700	1.9%	-0.4%
Gulf Coast	32,400	30,200	32,850	2,200	-450	7.3%	-1.4%
Interior	49,000	48,200	49,700	800	-700	1.7%	-1.4%
Fairbanks ⁸	39,700	39,600	40,200	100	-500	0.3%	-1.2%
Northern	20,750	20,400	19,950	350	800	1.7%	4.0%
Southeast	40,250	37,900	41,200	2,350	-950	6.2%	-2.3%
Southwest	20,800	17,700	21,050	3,100	-250	17.5%	-1.2%

For more current state and regional employment and unemployment data, visit our Web site:

laborstats.alaska.gov

A Tax Credit for Employers

The Work Opportunity Tax Credit reduces an employer's cost of doing business and requires little paperwork. It gives private-sector employers a federal income tax credit if they hire a job seeker in a specific target group.

The success and growth of the program depends on a strong public- and private-sector partnership to help those in need find and retain jobs and gain on-the-job skills and experience. The WOTC benefits employers and increases America's economic growth and productivity.

Use of the WOTC has increased in recent years as Congress has introduced new target groups, expanded several target groups' requirements, increased the tax credit amount for certain groups and introduced new flexible filing provisions. State work force agencies in the U.S. issued nearly 700,000 certifications in 2008.

The American Recovery and Reinvestment Act of 2009 introduced two new target groups: unemployed veterans and disconnected youth. The people in those groups must have started work in 2009 or will start in 2009 or 2010.

The unemployed veteran classification is a veteran who 1) was discharged or released from active duty in the U.S. Armed Forces during the five-year period ending on the hiring date; and 2) has received unemployment compensation under state or federal law for at least four weeks during the one-year period ending on the hiring date.

The disconnected youth classification is an individual who 1) is age 16 but not yet 25, 2) is not regularly attending school, 3) has not been regularly employed for six months, and 4) is not readily employable due to lacking basic skills.

Other eligible groups include a member of a family who received Temporary Assistance for Needy Families, or TANF; a veteran who is a member of a family who received food stamp benefits or is entitled to compensation for a service-connected disability; an ex-felon released within the past year; an 18- to 39-year-old member of a family who received food stamp benefits; a 16- or 17-year-old summer youth; a vocational rehabilitation referral; or a Supplemental Security Income recipient.

An employer must request and receive certification from the Alaska Department of Labor and Workforce Development that the new hire is a member of one of the target groups before the employer can claim the WOTC on his or her federal income tax return.

For more information, go to the WOTC Web site at jobs.alaska.gov/wotc.htm.

To find applicants who are already qualified for the tax credit, contact your local job center. A listing of the state's 23 job centers is at jobs.alaska.gov/offices. Or call (877) 724-2539 (ALEX).

2009 BEEDC Cost of Living Survey
for 17 CDQ Villages
for a Family of 4
October Nov. 17, 2009

1000 KW- PCE
plus Tax

UAF food
Family of 4

Villages	Elec cost monthly cost	H/F Price per gallon	H/F 100 gal. per month	Gas Price per gallon	Gas/55 gal. per month	Family of 4 Food weekly	Family of 4 food monthly	Freight cost to ship Per LB	Shipping Hub	453 lb per month	Food costs per month	Total monthly cost	Cost for		compared to	
													Energy only	Food costs	Energy costs	Anchorage Food costs
Aleknagik	\$ 341.60	\$ 5.65	\$ 565.00	\$ 5.70	\$ 313.50	\$ 274.70	\$1,098.80	\$1.27	DLG	\$494.11	\$1,592.91	\$ 2,813.01	\$ 1,220.10		213%	311%
Clarks Point	\$ 150.00	\$ 6.00	\$ 636.00	\$ 6.00	\$ 349.80	\$ 274.70	\$1,098.80	\$0.87	ANC	\$575.31	\$1,674.11	\$ 2,809.91	\$ 1,135.80		198%	327%
Dillingham	\$ 341.60	\$ 4.41	\$ 441.00	\$ 5.66	\$ 311.30	\$ 274.70	\$1,098.80	\$1.50	AKN	\$394.11	\$1,492.91	\$ 2,566.81	\$ 1,093.90		191%	291%
Egegik	\$ 970.00	\$ 5.00	\$ 500.00	\$ 5.45	\$ 299.75	\$ 330.00	\$1,320.00	\$1.27	DLG	\$679.50	\$1,999.50	\$ 3,769.25	\$ 1,769.75		309%	390%
Ekuk	\$ 150.00	\$ 6.25	\$ 600.00	\$ 6.00	\$ 330.00	\$ 274.40	\$1,098.80	\$1.45	DLG	\$679.50	\$1,674.11	\$ 2,754.11	\$ 1,080.00		189%	327%
Ekwok	\$ 400.00	\$ 6.25	\$ 625.00	\$ 6.25	\$ 343.75	\$ 274.70	\$1,098.80	\$0.87	ANC	\$658.85	\$1,755.65	\$ 3,124.40	\$ 1,368.75		239%	342%
King Salmon	\$ 988.00	\$ 3.91	\$ 391.00	\$ 3.89	\$ 213.95	\$ 316.02	\$1,264.08	\$0.87	ANC	\$394.11	\$1,658.19	\$ 2,661.14	\$ 1,002.95		175%	323%
Levelock	\$ 500.00	\$ 4.25	\$ 425.00	\$ 4.50	\$ 247.50	\$ 274.50	\$1,098.00	\$1.38	AKN	\$625.14	\$1,723.14	\$ 2,896.64	\$ 1,172.50		205%	336%
Manokotak	\$ 370.00	\$ 4.56	\$ 456.00	\$ 4.43	\$ 243.65	\$ 316.02	\$1,264.08	\$0.87	ANC	\$697.96	\$1,696.76	\$ 2,726.26	\$ 1,029.50		180%	331%
Naknek	\$ 405.00	\$ 4.01	\$ 401.00	\$ 4.66	\$ 256.30	\$ 316.02	\$1,264.08	\$1.68	AKN	\$761.04	\$2,025.12	\$ 3,087.42	\$ 1,062.30		187%	323%
Pilot Point	\$ 555.00	\$ 4.95	\$ 495.00	\$ 5.48	\$ 301.40	\$ 316.02	\$1,264.08	\$2.00	AKN	\$905.00	\$2,170.08	\$ 3,521.48	\$ 1,351.40		236%	423%
Port Heiden	\$ 1500.00	\$ 5.00	\$ 500.00	\$ 5.00	\$ 275.00	\$ 274.70	\$1,098.80	\$1.38	DLG	\$625.14	\$1,723.94	\$ 3,998.94	\$ 2,275.00		397%	336%
Portage Creek	\$ 245.00	\$ 6.13	\$ 613.00	\$ 5.59	\$ 307.45	\$ 316.02	\$1,264.08	\$1.28	AKN	\$579.84	\$1,843.92	\$ 3,009.37	\$ 1,165.45		203%	360%
South Naknek	\$ 565.00	\$ 4.00	\$ 400.00	\$ 5.45	\$ 299.75	\$ 274.70	\$1,098.80	\$1.59	DLG	\$720.27	\$1,819.97	\$ 3,083.82	\$ 1,264.75		221%	355%
Togiak	\$ 365.00	\$ 4.00	\$ 400.00	\$ 5.45	\$ 299.75	\$ 274.70	\$1,098.80	\$1.56	DLG	\$706.68	\$1,805.48	\$ 2,870.23	\$ 1,064.75		186%	352%
Twin Hills	\$ 405.00	\$ 4.01	\$ 401.00	\$ 4.66	\$ 256.30	\$ 316.02	\$1,264.08	\$1.68	AKN	\$761.04	\$2,025.12	\$ 3,087.42	\$ 1,062.30		185%	385%
Ugashik	\$ 8006.20		\$ 8,264.00		\$ 4,918.65						\$30,339.20	\$ 51,527.05	\$ 21,188.85			
Regional Cost for 17 villages																
Anchorage	\$ 171.07	\$ 2.83	\$ 283.00	\$ 2.16	\$ 119.80	\$ 128.16	\$ 512.64	\$ 0			\$ 0	\$ 512.64	\$ 1,085.51	\$ 572.87		

Elec. costs are per 1000 kw less PCE plus tax if applicable
Data from 2008 Egegik has no PCE on Electric costs
Freight quotes per Per-Air with minimum amount required
Shipping Hub: Anchorage-ANC Dillingham-DLG King Salmon-AKN
from Anc 87 per LB from Anc 87 per LB

Basic living costs not shown in this survey are:

- 1 Rent or house payment
- 2 Basic Telephone, Basic cable TV,
- 3 Costs for Blue Cross, Car insurance and House insurance and Real & Personal property taxes.
- 4 Household costs clothing, shoes, shampoo, dishsoap etc.
- 5 Transportation costs, car payment or car repairs
- 6 Child care costs.
- 7 Savings accounts or retirement accounts

*Lost Economic Opportunity in the
2003-2008 Bristol Bay Sockeye Fishery*

Prepared for:
Bristol Bay Economic Development Corporation

Prepared by:



Juneau • Anchorage

December 2008

Introduction

This study is intended to provide a clear statement of the lost economic opportunity associated with foregone harvest in the Bristol Bay sockeye salmon fishery from 2003 to 2008. Foregone harvest is defined as the actual salmon escapement to major Bristol Bay river systems, surplus to pre-season spawning goals established for those river systems by Alaska Department of Fish and Game (ADF&G).

Foregone harvest occurs for a variety of reasons, including but not limited to processing capacity, fleet effectiveness, ADF&G management policies and decisions, and natural conditions such as compressed run entry.

It is not reasonable to expect that in a salmon fishery as large and complex as Bristol Bay, escapement can be flawlessly achieved and that harvest and processing sectors can successfully handle every fish deemed surplus to escapement. Accordingly, this study makes no effort to identify the primary cause or causes of foregone harvest.

Methodology for Calculating Foregone Harvest

Foregone sockeye harvest is calculated using a simple approach. We compare the pre-season spawning goals published in ADF&G forecasts to the actual escapements published in the ADF&G season summaries. Sockeye escapement surplus to the pre-season spawning goal is considered foregone harvest.

The study team made one significant adjustment to ADF&G spawning goals, for the Alagnak River from 2006 - 2008. For 2006 we substitute the Biological Escapement Goal (BEG) of 185,000 for 'expected escapement' published in the forecast. For 2007 and 2008 we substitute the Sustainable Escapement Goal (SEG) of 320,000 for 'forecast escapement' published in the forecasts.

Starting with the 2006 forecast, the Department replaced Alagnak spawning goals (previously based on aerial surveys) with anticipated escapement figures; 2 million in 2006, 1 million in 2007 and 1.86 million in 2008. This approach simply states the volume of fish the Department expects to go up the Alagnak. Accordingly, we consider it appropriate to substitute BEG and SEG figures published in ADF&G season summaries for 2006 - 2008. These are Department-generated figures with a biological basis and bring 2006 - 2008 Alagnak spawning goals in line with the previous 10 years' range of 185,000 - 215,000 and with SEG-based spawning goals for the other major river systems in Bristol Bay.

Our adjustment has the net effect of increasing region-total foregone harvest by 4 million fish, about 11 percent of the 2003 - 2008 total.

Categories of Lost Economic Opportunity

EX-VESSEL VALUE LOSS

Ex-vessel value is defined as the value of raw fish upon sale by a harvester to a processor. Total ex-vessel value of the foregone harvest is calculated from the foregone harvest estimate, from ADF&G data on average fish size and from Commercial Fisheries Entry Commission (CFEC) value data. For 2008, preliminary ADF&G average value data is used, as publication of CFEC values is several months out.

We assume that ex-vessel price of the foregone harvest would have been consistent with ex-vessel price of the actual harvest.

FIRST WHOLESALE VALUE LOSS

First wholesale value is defined as the value upon sale by a seafood processor to a buyer outside their affiliate network. First wholesale value of salmon is compiled and published by Alaska Department of Revenue Tax Division in the Alaska Salmon Price Report.

While ex-vessel value is the most commonly used measure of fishery performance, first wholesale value is a much more complete statement of the economic activity associated with Alaska salmon fisheries. First wholesale value reflects the cost of raw fish (ex-vessel value paid to harvesters) and reflects processors' expenditures on labor, materials, tenders, shoreside goods and services, local utilities, property taxes, etc. In short, wholesale value reflects the full spectrum of local economic activity associated with turning raw salmon into a food product.

LOST TAX REVENUES TO MUNICIPALITIES, BOROUGHS AND THE STATE OF ALASKA

There are a variety of taxes in the Bristol Bay region, including assessments on ex-vessel value by local municipalities, by local boroughs, by the State of Alaska and by the Regional Seafood Development Association. The basis for all these taxes is ex-vessel value.

Potential (lost) tax revenue is calculated from total ex-vessel value of the foregone harvest and tax rates for the various assessments in each fishing district. It should be noted that half of Fisheries Business Tax (FBT) revenue generated by the state assessment is shared back to the region in which the fish is landed. Potential FBT revenue associated with foregone harvest represents a loss to state revenues and an equal loss to communities and boroughs of the Bristol Bay region.

Summary of Findings

FOREGONE HARVEST

From 2003 to 2008, foregone harvest in the Bristol Bay sockeye salmon fishery was over 37 million fish. Annual average foregone harvest was 6.2 million, ranging from a low of 4.3 million (2003) to a high of 7.5 million (2005).

Bristol Bay Region Total Foregone Sockeye Harvest, Thousands of Fish

	Pre-Season Spawning goal	Actual Escapement	Foregone Harvest
2003	7,260	11,579	4,319
2004	11,880	17,169	5,289
2005	7,270	14,792	7,522
2006	7,195*	14,562	7,367
2007	7,400*	14,865	7,465
2008	7,400*	12,655	5,255
2003-2008 Total	48,405	85,622	37,217
2003-2008 Average	8,068	14,270	6,203

Source: Spawning goals ADF&G projections, escapement ADF&G Season Summaries. * Alagnak R. spawning goal replaced with BEG (2006) and SEG (2007, 2008) per ADF&G Season Summaries

EX-VESSEL AND FIRST WHOLESALE VALUE LOSS

Based on average fish size by year and on region-average prices by year, total ex-vessel value of the 2003 – 2008 foregone harvest was \$131 million. Annual average value of the foregone harvest was \$21 million, ranging from a low of \$13 million in 2003 to a high of \$27 million in 2007.

Based on the annual product-form composition of the Bristol Bay sockeye pack, first wholesale value of the 2003 – 2008 Bristol Bay foregone harvest is estimated at \$360 million. Annual average was \$60 million, ranging from a low of \$42 million in 2003 to a high of \$75 million in 2005.

Bristol Bay Region Total, Lost Ex-Vessel and First Wholesale Value

	Foregone Harvest Thousands of Fish	Ex-Vessel Value Thousands of Dollars	Wholesale Value Thousands of Dollars
2003	4,319	\$13,352	\$42,237
2004	5,289	\$15,231	\$44,171
2005	7,522	\$27,561	\$75,677
2006	7,367	\$26,263	\$68,200
2007	7,465	\$27,758	\$72,431
2008	5,255	\$21,083	\$57,358
2003-2008 Total	37,217	\$131,249	\$360,074
2003-2008 Average	6,203	\$21,875	\$60,012

Source: 2003-2007 ex-vessel value derived from avg. size & CFEC values, 2008 ADF&G preliminary of Nov 14. Wholesale value derived from AK Dept of Revenue, Alaska Salmon Price Report

LOST TAX REVENUE

Potential tax revenues associated with Bristol Bay foregone harvest during 2003 – 2008 are substantial, totaling \$9.8 million from 2003 to 2008.

- Lost Fisheries Business Tax (FBT) revenue is \$5.1 million, of which \$2.5 million (\$429,000 per year) would be distributed by the State to Bristol Bay region communities and boroughs.
- Lost municipal and borough tax revenue totals \$3.4 million (\$568,000 per year).
- Total lost revenue for Alaska Seafood Marketing Institute (ASMI) and for the Bristol Bay Regional Seafood Development Association (BBRSDA) is slightly under \$1.3 million.

Municipal, borough and RSDA taxes are deducted from harvesters' ex-vessel proceeds and are reflected within the total lost ex-vessel value of \$131 million for the 2003 – 2008 period. Fisheries Business Tax (FBT) and the Seafood Marketing assessment are paid directly by processors and are not reflected in published ex-vessel values. FBT and seafood marketing revenues represent an additional loss of \$5.8 million for the 2003 – 2008 period, bringing the total to \$137 million.

Bristol Bay Region Total Lost Tax Revenue, Thousands of Dollars

	Region Share FBT Revenue	State Share FBT Revenue	Municipal & Borough	BBRSDA & ASMI	Total
2003	\$262	\$262	\$362	\$67	\$953
2004	\$299	\$299	\$442	\$76	\$1,116
2005	\$541	\$541	\$741	\$138	\$1,961
2006	\$515	\$515	\$503	\$357	\$1,890
2007	\$545	\$545	\$908	\$372	\$2,370
2008	\$414	\$414	\$452	\$280	\$1,560
2003-2008 Total	\$2,576	\$2,576	\$3,408	\$1,290	\$9,850
2003-2008 Average	\$429	\$429	\$568	\$215	\$1,642

Source: tax rates; Alaska Department of Commerce, Community and Economic Development

Lost tax revenue derived from foregone harvest value and tax rates by district

FBT is a blended rate of 3.9 percent derived from the 5-year average product-form composition and FBT tax rates of 3% shoreside, 4.5% canned and 5% floating processor

Economic Loss by District

The lost economic opportunity associated with foregone harvest varies widely by fishing district. Ex-vessel value of the foregone harvest is detailed below, by district and by gear type (driftnet and setnet). Foregone harvest value in each district is apportioned between gear types based on the actual harvest by gear type, as published in ADF&G season summaries.

For some years in Ugashik and Togiak, foregone harvest value is expressed as a negative number. This reflects years in which escapement in those districts was slightly below the spawning goal. It should be noted that in each of the years where this occurred, escapement in those districts was still within the Sustainable Escapement Goal (SEG) range.

Ex-Vessel Value of Foregone Harvest by Fishing District, Thousands of Dollars

	Naknek/ Kvichak	Egegik	Ugashik	Nushagak	Togiak	Region Total
2003	\$12,087	\$161	\$(283)	\$1,133	\$254	\$13,352
2004	\$14,213	\$548	\$(212)	\$742	\$(59)	\$15,231
2005	\$21,961	\$1,911	\$(260)	\$3,952	\$(3)	\$27,561
2006	\$13,101	\$1,426	\$535	\$10,624	\$578	\$26,263
2007	\$17,886	\$1,227	\$6,024	\$2,175	\$446	\$27,758
2008	\$15,787	\$602	\$(1,123)	\$5,577	\$241	\$21,083
2003-2008 Total	\$95,035	\$5,874	\$4,681	\$24,202	\$1,457	\$131,249
2003-2008 Average	\$15,839	\$979	\$780	\$4,034	\$243	\$21,875

NAKNEK/KVICHAK DISTRICT

The Naknek/Kvichak district is by far the largest contributor to Bristol Bay foregone sockeye harvest. From 2003 to 2008, the district accounts for a total of 27.2 million (73 percent) of the region total foregone harvest. Annual average for the district is 4.5 million, ranging from a high of 5.9 million in 2005 to a low of 3.6 million in 2006.

Ex-vessel value of the Naknek/Kvichak foregone harvest totals \$95 million during 2003 – 2008, averaging \$15.8 million per year. The six-year total split of foregone harvest value is 82 percent driftnet and 18 percent setnet. In years where the fishery was confined to the Naknek River Special Harvest Area for some or all of the season, the setnet share of harvest may be higher than indicated.

Naknek/Kvichak District , Thousands of Fish, Thousands of Dollars

	Foregone Harvest	Total Ex-Vessel Value	Driftnet	Setnet
2003	3,909	\$12,087	\$10,153	\$1,934
2004	4,935	\$14,213	\$11,513	\$2,700
2005	5,994	\$21,961	\$18,338	\$3,624
2006	3,675	\$13,101	\$10,940	\$2,162
2007	4,810	\$17,886	\$14,487	\$3,398
2008*	3,935	\$15,787	\$12,788	\$3,000
2003-2008 Total	27,258	\$95,035	\$78,218	\$16,818
2003-2008 Average	4,543	\$15,839	\$13,036	\$2,803

NUSHAGAK DISTRICT

The Nushagak district is a substantial contributor to Bristol Bay foregone sockeye harvest. From 2003 to 2008, the district total is 6.65 million sockeye, 18 percent of the region total. Annual average foregone harvest is 1.1 million, ranging from a low of 258,000 in 2004 to a high of 2.9 million in 2006.

Ex-vessel value of the Nushagak foregone harvest totals \$25.1 million during 2003 – 2008, averaging nearly \$4.2 million per year. The six-year total split of foregone harvest value is 84 percent driftnet, 16 percent setnet.

Nushagak District, Thousands of Fish, Thousands of Dollars

	Foregone Harvest	Total Ex-Vessel Value	Driftnet	Setnet
2003	367	\$1,133	\$941	\$193
2004	258	\$742	\$623	\$119
2005	1,079	\$3,952	\$3,319	\$632
2006	2,980	\$10,624	\$9,243	\$1,381
2007	585	\$2,175	\$1,740	\$435
2008*	1,390	\$5,577	\$4,406	\$1,171
2003-2008 Total	6,658	\$24,202	\$20,271	\$3,931
2003-2008 Average	1,110	\$4,034	\$3,379	\$655

EGEGIK DISTRICT

The Egegik district is a minor contributor to the region's total foregone harvest, accounting for 1.64 million fish (4 percent) between 2003 and 2008. Egegik has some foregone harvest in each of the last six years, though the annual average is a relatively modest 274,000 fish with a peak of 522,000 fish in 2005.

Ex-vessel value of the Egegik foregone harvest was \$5.9 million during 2003 – 2008, averaging \$1 million per year. The six-year total split of foregone harvest value is 84 percent driftnet, 16 percent setnet.

Egegik District, Thousands of Fish, Thousands of Dollars

	Foregone Harvest	Total Ex-Vessel Value	Driftnet	Setnet
2003	52	\$161	\$130	\$31
2004	190	\$548	\$471	\$77
2005	522	\$1,911	\$1,567	\$344
2006	400	\$1,426	\$1,198	\$228
2007	330	\$1,227	\$1,031	\$196
2008*	150	\$602	\$512	\$90
2003-2008 Total	1,644	\$5,874	\$4,908	\$966
2003-2008 Average	274	\$979	\$818	\$161

UGASHIK DISTRICT

The Ugashik district is a minor contributor to Bristol Bay foregone harvest, totaling 1.25 million fish (3 percent of the region total) from 2003 to 2008. Most of Ugashik's foregone harvest is from a single year; 1.62 million in 2007. In four of six years, Ugashik escapement was below the spawning goal (though still within the SEG range). This is reflected in the table below as negative figures for those years.

Ex-vessel value of Ugashik foregone harvest was \$4.6 million during 2003 – 2008, averaging \$780,000 per year. The six-year total split of foregone harvest value is 94 percent driftnet, 6 percent setnet.

Ugashik District, Thousands of Fish, Thousands of Dollars

	Foregone Harvest	Total Ex-Vessel Value	Driftnet	Setnet
2003	(91)	\$(283)	\$(252)	\$(31)
2004	(74)	\$(212)	\$(187)	\$(25)
2005	(71)	\$(260)	\$(221)	\$(39)
2006	150	\$535	\$471	\$64
2007	1,620	\$6,024	\$5,602	\$422
2008*	(280)	\$(1,123)	\$(1,033)	\$(90)
2003-2008 Total	1,254	\$4,681	\$4,380	\$300
2003-2008 Average	209	\$780	\$730	\$50

TOGIAC DISTRICT

Togiak foregone harvest totals 424,000 sockeye from 2003 to 2008, one percent of the Bristol Bay total. Annual average foregone harvest is 70,000 sockeye with a low of 60,000 in 2008 and a high of 162,000 in 2006. In 2004 and 2005, Togiak escapement was slightly below the spawning goal, though still within the SEG range for the district. This is reflected as negative figures in the table below.

Ex-vessel value of Togiak foregone harvest was \$1.4 million during 2003 – 2008, averaging \$243,000 per year. Togiak harvest by gear type is not published in the ADF&G Season Summary.

Togiak District, Thousands of Fish, Thousands of Dollars

	Foregone Harvest	Total Ex-Vessel Value
2003	82	\$254
2004	(21)	\$(59)
2005	(1)	\$(3)
2006	162	\$578
2007	120	\$446
2008*	60	\$241
2003-2008 Total	403	\$1,457
2003-2008 Average	67	\$243

Lost Tax Revenue

The impacts of foregone harvest are measured primarily with ex-vessel value, and accrue mostly to harvesters. However, there is a significant lost economic opportunity in the form of potential tax revenues associated with foregone harvest. There are a variety of taxes on ex-vessel value in the Bristol Bay region, including assessments by local municipalities, by local boroughs and by the State of Alaska and the Regional Seafood Development Association. (RSDA).

Summary of Region and State Tax Rates

	Naknek/ Kvichak	Egegik	Ugashik	Nushagak	Togiak
Municipal Assessments	-	3%	3%	-	2%
Borough Assessments	3%	2%	2%	-	-
State Fisheries Business Tax*	3.9%	3.9%	3.9%	3.9%	3.9%
Regional Seafood Development**	1%	1%	1%	1%	1%
Seafood Marketing	0.5%	0.5%	0.5%	0.5%	0.5%
Total	8.4%	10.4%	10.4%	5.4%	7.4%

Source: tax rates, Alaska Department of Commerce, Community and Economic Development

*Blended rate derived from the 5-year average product-form composition and FBT tax rates of 3% shoreside, 4.5% canned and 5% floating processor

**Bristol Bay RSDA assessment of 1% for the driftnet fleet began in the 2006 season

MUNICIPAL AND BOROUGH TAX REVENUE

Municipal, borough and RSDA taxes are deducted from harvesters' ex-vessel proceeds and are reflected within the foregone harvest ex-vessel value of \$131 million for the 2003 – 2008 period. Fisheries Business Tax (FBT) and the Seafood Marketing assessment are paid directly by processors and are not reflected in published ex-vessel values. Potential FBT and seafood marketing revenues represent an additional loss of \$5.8 million for the 2003 – 2008 period, bringing the total to \$137 million.

Region total lost tax revenue from municipal and borough assessments is \$3.4 million from 2003 – 2008, averaging \$568,000 per year. As with ex-vessel value, the Naknek/Kvichak district accounts for the lion's share, averaging \$475,000 per year.

**Lost Municipal and Borough Tax Revenue
Bristol Bay Region Totals
Thousands of Dollars**

	Naknek/ Kvichak	Egegik	Ugashik	Nushagak	Togiak	Total Municipal & Borough
2003	\$363	\$8	\$(14)	-	\$5	\$362
2004	\$426	\$27	\$(11)	-	\$(1)	\$442
2005	\$659	\$96	\$(13)	-	-	\$741
2006	\$393	\$71	\$27	-	\$12	\$503
2007	\$537	\$61	\$301	-	\$9	\$908
2008	\$474	\$30	\$(56)	-	\$5	\$452
2003-2008 Total	\$2,851	\$294	\$234	-	\$29	\$3,408
2003-2008 Average	\$475	\$49	\$39	-	\$5	\$568

REGION TOTAL TAX REVENUE

Revenue generated by the State of Alaska's Fisheries Business Tax (FBT) is split evenly between the state and between communities and boroughs of the region where fish are landed. Based on a blended rate noted above, we estimate the effective FBT rate for Bristol Bay is approximately 3.9 percent. The potential Fisheries Business Tax (FBT) revenue is \$5.1 million, of which \$2.57 million (\$429,000 per year) would be distributed by the state to Bristol Bay communities and boroughs.

Lost revenue for the Regional Seafood Development Association (RSDA) is \$669,000 (starting in 2006). Lost revenue for the Alaska Seafood Marketing Institute (ASMI) is \$656,000.

**Lost Fisheries Business Tax, Seafood Marketing
and Seafood Development Tax Revenue
Bristol Bay Region Total
Thousands of Dollars**

	Region Share FBT Revenue	State Share FBT Revenue	Bristol Bay RSDA	ASMI	Total
2003	\$262	\$262	-	\$67	\$591
2004	\$299	\$299	-	\$76	\$674
2005	\$541	\$541	-	\$138	\$1,220
2006	\$515	\$515	\$226	\$131	\$1,387
2007	\$545	\$545	\$233	\$139	\$1,462
2008	\$414	\$414	\$175	\$105	\$1,108
2003-2008 Total	\$2,576	\$2,576	\$634	\$656	\$6,442
2003-2008 Average	\$429	\$429	\$106	\$109	\$1,074

The Board of Fisheries as Promoter of Fishing Communities

One of the most fundamental responsibilities of the Board of Fisheries is to make decisions that are good for the long term benefit of Alaskans, Alaskan Communities, and Alaskan fishermen. While the Board always has the duty to consider economic impacts when it changes regulations this issue assumes larger dimensions when the Board determines that economic impacts could well be large enough to categorize a proposal as a 'restructuring' proposal. This document takes a look at four examples of cases where potential socio-economic impacts were indeed significant and where the Board of Fisheries explicitly referenced its intent to promote vibrant and healthy socio-economic conditions in Alaska's fishery dependent communities:

- 1) 1985 – Superexclusive Herring Fishery established
- 2) 1993 – Norton Sound Superexclusive Red King Crab Fishery
- 3) 1997 - State Water Cod Fishery established
- 4) 2006 - Emergency Petition regarding Aleutian Islands cod (Adak Island) cod passed

1) Superexclusive Herring Fishery (established 1985)

On May 11, 1985 fishery regulation 5 AAC 27.987 became effective and authorized the first superexclusive fishery in Alaska which designated the Cape Romanzof and Norton Sound Districts in the Bering Sea-Kotzebue Area as superexclusive use areas for the commercial herring fishery. If you participate in the commercial herring fishery in a superexclusive area then you cannot commercially fish herring in any other area in the same year. This regulation was challenged in court and went to the Supreme Court¹ of Alaska. The Supreme Court upheld the decision of the Court of Appeals² in finding that the Board of Fisheries appropriately acted within its authority. The Court of Appeals noted that *"The Board's undisputed purpose in promulgating the regulation was to allocate a percentage of the herring yield to local residents larger than they would otherwise receive in unregulated competition with fishermen from outside the district."*

The Court of Appeals, referring heavily to the Board's Findings, went on to say:

"It appears from a review of the board's findings that the mechanism used to effectuate its goal was to discriminate on the basis of a person's scale of operation. Essentially, the board found that those with greater financial resources could purchase more expensive boats and gear and were therefore capable of more efficient fishing. In this way, they obtained a greater percentage of the herring yield than those fishers who could only afford less expensive gear and boats. The board also found that, left alone, the less affluent fishers, utilizing available gear, could harvest the entire herring yield within the superexclusive districts. Finally, the board appears to have concluded that by establishing the superexclusive districts and permitting an individual fisher to fish either in a

¹ Supreme Court of Alaska: STATE of Alaska, Appellant, v. Jay HEBERT, Daniel L. Smith, John W. Ivanoff, Timothy Neal Biggar, Robert Woiderski, Brian Osentoski, Stephen R. Heffernan, and Ronald J. Tweto, Appellees. Jay HEBERT, et al., Cross-Appellants, v. STATE of Alaska, Cross-Appellee. No. S-3357. Dec. 7, 1990.

² The Court of Appeals of the State of Alaska - Court of Appeals Nos. A-2470, A-2480, Filed April 19, 1989. Before: BRYNER, Chief Judge, COATS and SINGLETON, Judges. SINGLETON, Judge.

single superexclusive district or elsewhere, fishers who operated on a larger scale would be discouraged from fishing in the superexclusive districts because the yield they could expect from the superexclusive district would not justify their investment in gear and boats. In contrast, fishers operating under a smaller overhead and expecting a lower return could afford to fish exclusively in a single district. In other words, no one is precluded from fishing in a superexclusive district by virtue of his or her race or residence. We therefore find the regulation does not discriminate on its face on the basis of residence or race. We further find that racial or residential discrimination is not a necessary result of the enforcement of the regulation because, as the state points out, anyone willing and able to fish with less expensive gear who does not expect a substantial income, will be able to fish in the superexclusive districts."

The Supreme Court in its opinion noted that the no exclusive right or special privilege of fishery clause of the State Constitution does not restrict the power of the State to limit entry into any fishery for the purpose of preventing economic distress among those dependent upon the fishery for a livelihood. Clearly the Court believed that the Board was within its authority in its decision to limit access in this way for the purpose of benefiting the local community fishing fleet and the local fishery dependent economy.

Over a dozen superexclusive fisheries have been established since this first one in 1985. Some have been established for conservation purposes and others to prevent economic distress to local fishery dependent communities. Superexclusive fisheries have become an important tool in the Boards toolbox to protect and promote the socioeconomic health and stability of local community small boat fleets.

2) Norton Sound Superexclusive Red King Crab Fishery (established 1993)

At its February, 1993 meeting the Board of Fisheries established the Norton Sound Superexclusive Red King Crab Fishery. The Boards official findings³ are particularly well thought out and complete. A selection of the Boards findings include:

- *"...the status quo fishery was preventing economic stability to coastal communities."*
- *"...the new regulation should provide beneficial economic impacts to the coastal communities of the Norton Sound section including, Nome, Brevig, Diomede, Elim, Gambell, Golovin, Koyuk, Mission, St. Michael, Savoonga, Shaktoolik, Stebbins, Teller, Wales, White Mountain, Unalakleet, and others."*
- *"The social and economic plight of these communities has been testified to the Board over the last year and a half in its meetings on subsistence, crab, salmon and herring."*
- The Board noted that Bering Strait Regional Community Development Plan provided economic information such as median household income, unemployment rates, and Poverty rates.

³ Board Finding 1993-144-FB on Norton Sound Superexclusive Red King Crab Fishery; <http://www.boards.adfg.state.ak.us/fishinfo/regs/ff93144x.pdf>

- *“Commercial fishing provides one of the limited alternatives for cash income”*
- *“The Board finds that while the anticipated social benefits to the coastal communities from creation of superexclusive registration area is difficult to explicitly quantify, real benefits do exist.”*
- *“Creation of a stable, long-term fishing opportunity will provide for maintenance of local culture and family ties, teach younger individuals within the communities the value of preserving the long-term health of the resource, and increase understanding and support of management provided by state and federal entities.”*
- *“...a stable fishing economy in an economically distressed area can provide benefits of decreased welfare dependency, decreased alcoholism, and decreased abuse and suicide symptomatic of societies denied productive employment.”*
- *“The historic subsistence economy of the coastal communities is gradually shifting to a subsistence/cash economy. Development opportunities which maintain consistency with cultural ties provide the best opportunity.”*

3) State Water Cod Fishery (established 1997)

According to the Board's official Findings¹:

- *“The Alaska Board of Fisheries (board) met at Wasilla (October 29–31, 1996) and approved new management plans for the commercial harvesting of Pacific cod in state waters of the Prince William Sound, Cook Inlet, Kodiak, Chignik, and South Alaska Peninsula Areas”*
- *“The board heard of the impact of federal IFQs, Community Development Quotas (CDQ), and inshore/offshore allocation programs on state fisheries. The board found that current council management had not addressed the needs of small vessel groundfish fishermen. The board also found that the winter season, specified in the NPFMC management plans, made it difficult for small vessels to fully participate in the fishery.”*
- *“The board discovered that the implementation of federal Individual Fishery Quota (IFQ) and license limitation programs were changing the structure of Alaskan groundfish fisheries and making it difficult for many local fishermen to participate in groundfish harvest.”*
- *The Board discussed utilizing “such gear restrictions as necessary to create a year round harvest for maximum benefit to local communities, the region and the State.”*
- *“The board chose to make the Prince William Sound, Cook Inlet, Kodiak, Chignik, and South Alaska Peninsula Areas exclusive registration areas. This action was also selected to provide benefits to local economies that are based largely on small boat fishing.”*
- *“The board also found it necessary to limit the size of participating vessels in some areas to further reduce catch rates, provide for extended seasons, and provide economic benefits to the regions in which the fishing is conducted.”*

¹ Board Finding #97-169-FB on State Water Cod Fisheries;
<http://www.boards.adfg.state.ak.us/fishinfo/regs/ff97169x.pdf>

4) Emergency Petition for Adak cod fisheries passed in 2006

On February 26, 2006 the Alaska Board of Fisheries granted an emergency petition regarding changes to the management of Aleutian Island Cod because of unanticipated and unavoidable events which created potentially large negative social and economic impacts to the fishing community of Adak. In its official finding⁵ the Board found:

- So dire was the Board view of the potential negative impact to the community of Adak that they concluded that regulatory changes *“are necessary for the immediate preservation of the public peace, health, safety, or general welfare.”*
- *“Economic opportunities for residents of Adak and other areas in the Aleutians are limited, and the tax base is highly dependent on fisheries.”*
- *“The majority of the vessels in the small boat fleet do not hold federal LLP's and are limited to participation in fisheries within State waters. Compression of the Pacific cod season, makes it uneconomic for small vessels to gear up and participate in the fishery and is further reducing the already limited opportunities available in the Adak area in both its existing trawl fleet and its developing fixed gear fleet and this compression is contributing to an economic crisis which endangers the redevelopment of Adak.”*
- *“Failure to have the regulations in effect for the 2006 season would endanger development of the fishery in the latter part of 2006 and in 2007, and would be highly detrimental to the welfare of the Adak community and small boat fishermen in the Aleutian Islands area.”*
- *“In the absence of emergency regulations, due to the timing of Pacific Cod Fishery, severe winter weather conditions in the Aleutians, and a dangerous pass between Adak and the state waters fishing grounds, the small boat fleet would be very limited in its ability to safely participate in the early season and could participate fully and economically only by ignoring weather constraints which often preclude the safe operation of small boats in the Aleutians. Failure to have the regulations in effect for the 2006 season would thus be likely to result in significant public safety issues.”*

The Board took the issues that threatened the economic stability of Adak very seriously and made every effort to help the community.

These four cases illustrate the Alaska Board of Fisheries at its best as it strives to institute regulations that promote strong, healthy, vibrant fishing communities that are directly adjacent to the fishery resources upon which they depend so critically.

⁵ Board Finding 2006-246-FB, Finding of Emergency regarding Aleutian Island Cod (Community of Adak) <http://www.boards.adfg.state.ak.us/fishinfo/regs/ff06246x.pdf>

(Previously FINDING # 93-06-FB) 93-144-FB

May 20, 1993

The Honorable Ronald H. Brown
Secretary
Department of Commerce
Washington, D.C. 20230

Dear Mr. Secretary:

The Alaska Board of Fisheries ("Board") manages the Bering Sea/Aleutian Islands (BS/AI) crab fisheries under delegated authority of the Fishery Management Plan for the King and Tanner Crab Fisheries in the Bering/Aleutian Islands ("FMP"). The Alaska Crab Coalition has appealed the Board's recent decision to adopt regulations establishing a superexclusive area for Norton Sound king crab fishery, claiming inconsistency with the Crab FMP.

The FMP requires the Board to provide written explanations of the reasons for its decisions concerning management of crab fisheries. The Board submits the following explanation of its decision concerning the Norton Sound crab fishery.

The Board met February 2-10, 1993, in Anchorage to consider comprehensive management of king and Tanner crab fisheries, including those in the BS/AI. The meeting was publicly noticed, consistent with the Alaska Administrative Procedures Act, and was well attended by members of the industry and other concerned members of the public. In addition, representatives from the National Marine Fisheries Service (NMFS), the North Pacific Fisheries Management Council (NPFMC), State of Alaska Office of the Attorney General (AAG), NOAA General Council and the Alaska Department of Fish and Game (ADF&G) were present.

To appreciate the breadth of issues covered at this meeting, we submit a list of the following reports and presentations which the Board considered prior to their deliberations:

1. Biological Perspectives in Crab Management in Alaska. By Dr. Gordon Kruse, ADF&G
2. Summary of the Fisheries Management Plan (FMP) for Crab. By Dr. Ray Baglin, NMFS¹
3. Summary of the Invalidation of Crab Pot Limits by the Secretary of Commerce. By Jonathan Pollard, NOAA General

¹ The presentations by NOAA General Council, NMFS and the presence of NPFMC staff, satisfy the requirements of section 9.2 of the FMP.

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(amendment on Page 5)
Final Action

Council¹, and Earl Krygier, ADF&G

4. Review of Pot Limit Alternatives. By Earl Krygier and Peggy Murphy, ADF&G
5. Report to Industry on the Eastern Bering Sea Crab Survey. By Dr. Robert Otto, NMFS¹
6. History of the Regulation for an Escape Mechanism in Shellfish and Bottom Pots. By Al Kimker, ADF&G
7. Tests of Galvanic Release for Escape Devices in Crab Pots. By Dr. A. J. Paul, Univ. of Alaska, Institute of Marine Sciences.
8. Starvation Resistance in Alaskan Crabs. By Dr. A. J. Paul, Univ. of Alaska, Institute of Marine Sciences
9. Biodegradable Escape Mechanisms for Pot Gear: A Summary. By Dr. Gordon Kruse and Al Kimker, ADF&G
10. Bitter Crab Syndrome in Alaskan Tanner Crab: Importance and Management Considerations. By Dr. Ted Meyers, ADF&G
11. Staff Report on Aquatic Farming (FRED). By Jim Cochran, ADF&G
12. Review of King and Tanner Crab Fisheries in the Southeastern Alaska and Yakutat Areas. By Tim Koeneman, ADF&G
13. Review of King and Tanner Crab Fisheries in the Prince William Sound Area. By Charlie Trowbridge, ADF&G
14. Review of King and Tanner Crab Fisheries in the Cook Inlet Area. By Al Kimker, ADF&G
15. Review of Westward King and Tanner Crab Fisheries:
 - a. Kodiak, Chignik and South Peninsula. By Al Spalinger and Dave Jackson, ADF&G
 - b. Aleutians. By Mike Ward, ADF&G
 - c. Bering Sea. By Ken Griffin, ADF&G
 - d. Norton Sound. By Charlie Lean, ADF&G
16. Summary of the Crab Pot Buoy Sticker Program. By Ken Griffin, ADF&G
17. Mandatory Observer Program Overview. By Rance Morrison,

ADF&G

18. Observer Program Data Analysis and Reporting. By Donn Tracy, ADF&G
19. Westward Region Research Report Programs:
 - a. PIT Tag Project (video/slide presentation). By Leslie Watson, ADF&G
 - b. Collector Project (video/slide presentation). By Forest Blau and Bill Donaldson, ADF&G
21. ADF&G Kodiak and South Peninsula Trawl Survey Overview (video/slide presentation). By Dave Jackson, ADF&G
22. Potential Economic Impacts of Alternative Pot Limits to the Economic Performance of Bristol Bay Red King Crab and Bering Sea C. opilio fishermen. By Dr. Joshua A. Greenberg, Univ. of Alaska, Fairbanks
23. Overview of the FMP criteria and Magnuson Act standards. (Bonnie Harris, Alaska Office of the Attorney General).

The issue of a superexclusive red king crab ("RKC") registration area in the Norton Sound section (Bering Sea Area Q3) first came before the Board as an agenda change request from the Norton Sound Economic Development Corporation during the March 1992 BS/AI crab meeting in Anchorage. Upon accepting the matter as an agenda change, the Board informed the industry and public present at that meeting that the issue of the Norton Sound superexclusive registration area would come before the Board at its February 2, 1993 statewide king and Tanner crab meeting in Anchorage. The Board also published proper public notice for the issue at the February 1993 meeting under the Alaska Administrative Procedures Act.

At the February 1993 meeting, the Board heard public testimony from numerous individuals, including crab industry representatives and organizations, advisory committee representatives from the Pacific Northwest, Dutch Harbor, Sand Point, Kodiak and Norton Sound regarding crab management; most of the advisory committees and a few individuals made comments on exclusive registration areas in the Bering Sea. The Board heard presentations from the management staff and the Attorney General's office regarding this issue. Guidance from the Attorney General's Office, in consultation with NOAA General Council, indicated that the superexclusive designation would be permissible under the FMP; it being a subset of "exclusive registration" discussed in section 8.2.8 of the FMP. After deliberating the subject, the Board designated the Norton Sound Area, Q3, as a superexclusive registration area for RKC.

This action was taken in concert with other BS/AI crab management measures by the Board to address conservation, management and allocation concerns of BS/AI crab resources in the face of depressed stocks, increased fleet participation, capitalization and efficiency. See FB No. 93-____².

Under the status quo, the goals and objectives of the FMP and the national standards of the Magnuson Act (FMP ch. 7 and Appendix B), were not being met in Norton Sound; thus Board action was necessary. In particular, the status quo fishery was preventing economic stability to coastal communities and to segments of the industry wishing to concentrate their dependence on the Norton Sound summer RKC fishery; and conservation, full utilization and proper management of the resource was not occurring.

The actions taken by the Board to redress these concerns with regard to the Norton Sound section were to: (a) establish a 50/40 pot limit depending on vessel size, (b) establish a superexclusive registration area (whereby vessels may choose to fish in the superexclusive area in any given season, or outside of the superexclusive area, but may not fish both within and outside of the area in a season), and (c) extend the summer season date from July 1 to September 3 (it had previously been from August 1 to September 3).

The management goal of the FMP is to maximize the overall long-term benefit to the nation of the crab stocks, consistent with proper stewardship of the resource. Within the scope of this goal are seven objectives which relate to biological conservation, economic and social issues, gear conflicts, habitat preservation, vessel safety, due process and research and management. The establishment of the superexclusive registration area for Norton Sound is anticipated to better achieve these objectives than the existing regulations; under which some objectives were not being met. In support of its regulatory action, the Board makes the following findings for the Norton Sound RKC fishery consistent with chapter 7 of the FMP:

7.2.1 - Biological Conservation: Because of the small guideline harvest level and derby style fishery lasting only 48 hours, over and under harvest has commonly occurred. A superexclusive registration area is expected to produce a more orderly fishery with improved management precision which will provide management capability to maintain Norton Sound stocks for the long-term sustained yield of harvestable surpluses (ie., full utilization), while minimizing risk of overharvest. ADF&G would still be able to estimate and manage for deadloss as they do currently; and the Board anticipates that by slowing down the rate of harvest,

² This citation (not yet designated) is the Boards' 1993 findings for pot limits.

deadloss, which occurs in a fast paced fishery, will decrease.

Additionally, the new regime will assist ADF&G in ensuring the continued 10 percent exploitation rate to protect stocks available for subsistence use, and the area closed to protect subsistence fishing will now be managed in the manner anticipated by the Board when 5 AAC 34.935 was put into place in 1983.

7.2.2 - Economic and social: The Board anticipates that its action will maximize social and economic benefits to the nation over time as specified in the FMP. Under the old regulation, the fishery had progressed to a point that in 1992, it provided no economic benefit. [As noted in the Board report, 27 vessels landed 74,029 lbs of crab at an average price of \$1.75/lb. This would yield less than \$5,000 per vessel, an amount which would not even cover expenses (ie., no net economic benefit).]

On the other hand, the new regulation should provide beneficial economic impacts to the coastal communities of the Norton Sound section including, Nome, Brevig, Diomedea, Elim, Gambell, Golovin, Koyuk, Mission, St. Michael, Savoonga, Shaktoolik, Stebbins, Teller, Wales, White Mountain, Unalakleet, and others. The social and economic plight of these communities has been testified to the Board over the last year and a half in its meetings on subsistence, crab, salmon and herring. As documented in Part III of the Bering Strait Regional Community Development Plan (BSRCDP) provided to the Board, these communities have severely depressed economies. Though the median household income in these communities is about \$16,000, roughly 35 percent of the people in these communities are below the poverty line and unemployment region wide is 75 percent. Commercial fishing provides one of the limited alternatives for cash income. ~~[Based on the economic information presented by Dr. Greenberg, the Board concludes that the range of household incomes in Norton Sound is in distinct contrast to the average household income supported by participants of the highly mobile and profitable Bering Sea crab fleet.]~~ The Board finds that while the anticipated social benefits to the coastal communities from creation of superexclusive registration area is difficult to explicitly quantify, real benefits do exist. Creation of a stable, long-term fishing opportunity will provide for maintenance of local culture and family ties, teach younger individuals within the communities the value of preserving the long-term health of the resource, and increase understanding and support of management provided by state and federal entities. Additionally, a stable fishing economy in an economically distressed area can provide benefits of decreased welfare dependency, decreased alcoholism, and decreased abuse and suicide symptomatic of societies denied productive employment.

The historic subsistence economy of the coastal communities is gradually shifting to a subsistence/cash economy. Development opportunities which maintain consistency with cultural ties provide

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the best opportunity. To the extent which information is available, the Board finds it likely that because the fishery can occur over a longer period of time under the superexclusive area scheme, it will have access to fresh markets. Such access should command a greater price per pound and increase the overall value of the harvest to the State and the nation.

7.2.3 - Gear conflict: Prior to 1977, there was no commercial RKC fishery in Norton Sound. Board records indicate that in 1977 local residents who participated in the winter and summer subsistence harvest of king crab had their Norton Sound Fish and Game Advisory Committee propose to the Board to open commercial fishing in their area. At this meeting, the Department proposed seasons, size limits and harvest guidelines for the Nome section summer commercial fishery. Public testimony during this meeting indicated that local Nome residents would participate in the summer fishery, thus providing an alternate income to the herring and limited entry salmon fisheries. The Board allowed an experimental fishery in both the winter and summer during 1977 and an open fishery in 1978. Three local fishers tried to participate in the summer fishery, but were simply overwhelmed by the disparity of efficiency demonstrated by the Bering Sea crab fleet.

As addressed in staff reports to the Board during the 1978 shellfish meeting, public proposals from the Norton Sound Advisory Committee and the Norton Sound King Crab Fishermen's Association asked that pot limits be established for the Norton Sound summer king crab fishery. The need for a controllable harvest and slower development of the fishery for local residents was stated as the justification. The public also proposed establishing the entire Bering Sea registration area as exclusive, stating that the original reasons for the areas nonexclusive designation, the full utilization of the areas fisheries due to the foreign allocation for some of these crab species, was no longer true as the fleet was already fully exploiting the crab resources from this area. The need to control the rapidly expanding and highly mobile "Bering Sea" crab fleet, capable of catching the existing harvest quotas from this area in very short periods of time then moving to other king crab areas in the state, was also an expressed concern.

This efficiency disparity never allowed local fishers to capitalize and develop into the fishery on their door step. Today, the Norton Sound summer RKC fishery is dominated by a mobile fleet of large catcher-processors and catchers vessels. In short, the fishery was instituted in a fashion that unintentionally disadvantaged a component of the fishery, the local Norton Sound vessels. It is this inequity the Board seeks to resolve in establishment of the superexclusive registration area.

The Board finds no reason to believe a less mobile fleet of catchers and processors could not likewise harvest and market available stocks. Testimony by representatives from Norton Sound

indicates that there are fishing vessels in that area capable of fishing these stocks, or capable of being modified to fish these stocks. Processing capacity is also available.

7.2.4 - Habitat Objective: The potential overharvest of existing RKC, and handling mortality of females and juveniles during a derby style opening, was concurrently a persuasive argument for the Board to employ superexclusive registration in Norton Sound. Despite the Board's 100 pot limit for the 1992 RKC season in Norton Sound, the largest fleet since 1981, 27 vessels, fished the opening. The Board determined it must either take dramatic action, or yearly face the potential of overharvest and possible stock damage, or total closure of the Norton Sound fishery.

7.2.5 - Vessel Safety: The Board altered the opening date of the fishery to July 1st to allow for the extension of an orderly fishery; the season was previously August 1 to September 3. The Board anticipates a higher participation by small vessels and a reduction in the number of pots fished. This will allow a longer season to provide for vessel safety and an extended harvest window to achieve harvest objectives.

7.2.6 - Due Process: The normal Board process, in conjunction with the appeals process outlined in the crab FMP, allows for adequate due process.

7.2.7 - Research and Management Objectives: The more orderly fishery resulting for the superexclusive designation will provide a better opportunity for the ADF&G area biologist to monitor, assess and manage for the health of this resource.

As the basis of these actions the Board notes the following:

Stock status: The Area Q3, Norton Sound, RKC stock is identified as a separate biological and geographical substock of RKC in the Bering Sea. Size at maturity is smaller than other BS/AI RKC stocks and the crabs themselves are distinct in appearance. This stock is currently only 1/3 of its legal male crab virgin biomass. (These stocks have been regularly surveyed by NMFS trawl gear since 1976. ADF&G pot studies were conducted from 1980 to 1985.) The legal male population available for commercial harvest is estimated at 3 million plus pounds. With controlled effort and minimization of deadloss and handling mortality, this stock is capable of providing continuous opportunity for a subsistence fishery as well as sustainable winter and summer commercial fisheries.

Currently, the fisheries in Norton Sound are comprised of:

(a) RKC Subsistence fishery. A permit fishery recording daily effort and catch information is primarily conducted through the ice with hand lines and small pots. It averages over 100 participants, with fishing access greatly influenced by

weather and ice conditions. There are no management concerns with this fishery.

(b) Winter RKC commercial fishery. In 1992, 13 participants harvested 7,478 RKC (21,177 pounds with a value of \$76,000) for local and Anchorage markets. This fishery occurs November 15 - May 15 and presents no management concerns.

(c) Summer RKC commercial fishery. The summer commercial fishery is managed at a reduced exploitation rate of 10%, with a 15 mile closed area to protect females, under-sized males, and the availability of crab to the nearshore subsistence fishery. The number of legal males present in the fishery are estimated to be stable since 1985. Under present regulations, even with the 100 pot limit, the fishery is demonstrating extreme management concerns.

In 1992, 22 catcher and 5 catcher-processors vessels participated in a 48-hour derby style fishery that opened at noon on August 1. Despite implementation of a 100 pot limit for the 1992 season, excessive effort resulted in an inability to manage the fishery inseason; so the season closure date of August 3rd was set at the start of the season. This resulted in non-attainment of the harvest objective of 300,000 pounds (only 74,029 pounds had been taken). With the number and capability of the vessels in the area, the presence of fresh water and its associated deadloss mortality, the risk of overharvest of legal crab and mortality to prerecruit size crab was determined to be too great to conduct another opening to try to achieve the harvest objective.

Harvest effort: The Board reviewed management of the king crab fisheries covered by the FMP and the small guideline harvest level (GHL) fisheries in the Pribilof district, and the St. Matthews, and Norton Sound sections. These fisheries distinguish themselves as being particularly problematic for managers. Revisions to the St. Matthews section and Pribilof district pot limits and the opening dates by the Board are anticipated to increase the ability of the ADF&G to protect stocks near threshold by a reduction of effort and harvest rates. These management measures will allow the currently foregone harvest of available stocks in the Pribilof district to be harvested for the first time in several years.

In 1992, the blue king crab (BKC) fishery in the St. Matthews section harvested 3.1 million pounds in 60 hours. In 1987-88, the last year the Pribilof fishery occurred, approximately 700,000 pounds of crab were harvested. In contrast, the Norton Sound RKC fishery is conducted on a harvest guideline of only 300,000 pounds. Though this is the smallest BS/AI RKC stock generally open for harvest, it is accessible to the same fishing effort that harvests the 207 million pound opilio and 38 million pound bairdi quotas.

Management options: In an effort to create a nondiscriminatory

harvest opportunity on the comparatively tiny available surplus in Norton Sound Area Q3, the Board lowered the Norton Sound RKC pot limit to 50/40 pots consistent with the manner in which it regulated the Pribilof BKC fishery. The Board also changed the season opening date from August 1 to July 1 in order to increase opportunities for the vessels that choose to fish within the Norton Sound superexclusive area and season harvest attainment. The closing date was not changed from September 3. A change of date to September 15, concurrent with the St. Matthew and Pribilof fisheries, would have resulted in harvest of molting, soft-shell male crab and was therefore undesirable. Opening the fishery in July would increase likelihood of small vessels that participate in the local herring and salmon fisheries to harvest these stocks at a slower and more manageable rate. Larger vessels may still participate in the superexclusive 40/50 pot limit RKC fishery, but must necessarily evaluate whether the income derived from this harvest justifies loss of opportunity to participate in the six other brown, blue and red king crab fisheries.

Comments from the public and ADF&G staff reports on the subject of exclusive or superexclusive registration for the Norton Sound section revealed some particularly compelling aspects regarding commercial fisheries opportunities. The 1992 herring fishery, which recently has accounted for 80% of cash income earned by commercial fishermen in the Norton Sound section, did not occur due to the extremely late departure of the ice pack in 1992 and the absence of buyers. Additional information previously presented to the Board, relative to worldwide herring markets, leads to the conclusion that the current statewide abundance of herring available for harvest in the sac roe fisheries, all of which occur prior to the Norton Sound fishery, are capable of providing nearly twice the historical supply volume. Consequently, there is a strong likelihood that even if the Norton Sound sac roe herring fisheries occur in 1993, the product will likely command the lowest price in a severely depressed market.

The salmon fishery is also depressed in Norton Sound. Chum salmon were historically the bread and butter fishery of this area. These stocks are extremely depressed presently, and there is virtually no commercial fishery. Commercial harvest of king salmon in Norton Sound is only 2,000 - 3,000 kings. In "even years", when there is often abundant pink salmon runs, there are no markets available. In 1992 a small coho harvest occurred in the southwest corner of the area with approximately 7,000 fish taken.

The Board finds that economic opportunity for commercial fishermen who participate in the Norton Sound fisheries, including local, non-local, resident and non-residents alike, are severely limited in the herring and salmon fisheries; and that crab alone remains as the only viable source of commercial fisheries income. The NPFMC recently came to similar conclusions in the development of the CDQ program.

Registration areas: Section 8.2.8 of the FMP provides that only the Board may consider exclusive registration to distribute effort, stabilize coastal community economies and create fisheries where less mobile vessels will be given an opportunity to participate. This may reallocate catch among different sized vessels; so findings as to the benefits are important. When the Board designates an area, district or section as exclusive, it must produce a written explanation that considers the six factors set out in 8.2.8 of the FMP. The following is a summary of the Boards consideration of those factors. Additionally, the Board agrees with, and incorporates by reference, the information presented by the Norton Sound Economic Development Corporation, (See Attachment 1 & 2):

1. The extent to which the designation will facilitate proper management of the fishery: The superexclusive designation, in conjunction with the reduced pot limit and the expanded season, will aid management in the following ways: a) due to the size of the catch quota, remote location of the fishery, and limited financial and personnel resources available to manage this fishery, the Norton Sound king crab fishery needs to be conducted over a longer period of time or slowed down in order to manage it properly; b) the designation will provide an orderly fishery which improves management precision so that the resource is not underharvested nor overharvested as occurs presently with the current management tools available; c) because of the small size of the stock, a more restrictive pot limit alone does not slow down or control fishery effort; d) a likely effect of decisions by crab fishermen will be that less larger capacity boats and more smaller boats will fish in Norton Sound thus reducing total daily catching capacity and slowing down the fishery; e) a slower paced fishery will reduce deadloss problems associated with the Norton Sound ice melt and fresh water lens and with longer soak times reduce handling mortality of females and juveniles.

2. Extent to which such designation will help provide vessels with a reasonable opportunity to participate in the fishery: a) all participants, both large and small boats, will have an opportunity to fish the Norton Sound king crab fishery under a superexclusive registration designation, but can not fish in other exclusive or nonexclusive registration areas in that year. The FMP notes that "exclusive registration areas can help provide economic stability to coastal communities (see objective 7.2.2) or to segments of the industry dependent on an individual registration area's crab stocks, particularly if the character of the fishing fleet and the related industry participants depending upon the registration area's potential production would not be allowed movement to another registration area. This is particularly advantageous to the less mobile vessels if the area they fish is not the most profitable area for the more mobile vessels." b) few local

fishermen have been able to participate in the Norton Sound king crab fishery in an cost effective manner due to the declining number of fishing days, the small size of the local boats, and the high costs required to purchase larger vessels and gear. In addition, the area lacks adequate harboring facilities for locally owned larger vessels which could compete with the larger Bering Sea crab boats; c) slowing down the fishery and increasing the number of fishing days as a result of superexclusive registration designation will help provide fisherman who own smaller boats an opportunity to participate in this fishery; d) local fishermen in Nome who helped initiate this fishery will be able to again participate.

3. The extent to which such designation will help to avoid sudden economic dislocation: Established processing facilities and fishing fleets within a registration area may provide economic stability for the labor force and effected communities and may be destroyed or adversely affected by an in-season influx of mobile processing plants and additional fishing power: a) information provided from the BSRCDP document and ADF&G, indicates that local fishers originally proposed the commercial fishery in their area and tried to participate, but were simply overwhelmed by the disparity of efficiency demonstrated by the Bering Sea crab fleet; b) fishing fleets and processing facilities located in the Norton Sound registration section are now underutilized because of the current management regulations. As a result local communities are already adversely affected by the in-season influx of mobile processing vessels and additional fishing power; c) there are over 150 herring skiffs in communities of the Norton Sound registration section; many are capable of participating in the summer king crab fishery if more time were available for fishing; d) fish processing and cold storage facilities located in Golvin, Moses Point, Unalakleet and Nome, which are not in use at this time, could function as delivery, handling, processing and shipping centers for locally harvested king crab thus provide local employment; with capital stimulation from crab processing these facilities could be up-graded to provide processing for local herring and salmon harvests; e) loans are available through NSEDC to help local fishers with vessel equipment and up-grades, crab gear purchases, and assistance in marketing crab;

4. The extent to which the designation will encourage efficient use of vessels and gear: a) fishermen who own herring skiffs which are capable of participating in the crab fishery now use these boats only for a very brief herring fishery lasting only a matter of hours; short term prospects for herring are in doubt and these large herring skiffs can be easily modified to day fish out of local ports; b) fishermen will be able to use the same fishing boats they use for

herring in the king crab fishery thus making more efficient and cost effective use of their boats.

5. The extent to which the economic benefits conferred by the designation will be offset by economic costs and inefficiencies: a) one potential distribution avenue for locally caught king crab currently under investigation is for live crab delivered to markets in Anchorage, Fairbanks and Japan during the summer tourist season; b) NSEDC's partner in the pollock CDQ fishery, Glacier Fish Company, and the Lower Yukon CDQ partner as well, have agreed to assist in distribution of king crab caught and delivered locally with the Norton Sound registration section; c) increased costs due to changes in economies of scale as a result of a possible shift in the sized makeup of the fishing fleet and location of processing from larger fishing vessels and mobile processors to smaller boats and shoreside delivery, handling, processing and distribution may be offset by added value in the product; in effect, a shift from a focus on increase product value (1992: \$1.75/pound, winter: \$3.50/pound); d) local fishermen who have not been able to participate will harvest the crab thus increasing local employment and income in a region of the state which is cash poor; e) since, as a fleet, there were no economic benefits for the participants of the 1992 fishery, and average participation over the past 10 years has averaged only 10 vessels per year (most all of whom also participate in the other BSAI highly profitable king and Tanner crab fisheries), the area designation should not pose significant costs to those not wishing to participate within a superexclusive area.

6. The extent to which other management measures could yield the results desired from the designation: a) some other management options such as further pot limit (maybe 25 pots) and vessel size limit reductions, or restrictive trip limits may be available; but these options would likely be more restrictive to all fishermen and raise management costs; b) no other management option would yield the desired results of a superexclusive registration for the Norton Sound section king crab fishery; c) given the fact that exclusive registration for the Bristol Bay RKC exists and has not served to restrict effort in the fishery, the Board could have designated all king crab areas as exclusive, but this would could severely impact the larger vessel fleet. A designation of Norton Sound merely as exclusive might force some vessels to choose between the Bristol Bay RKC and the Norton Sound RKC fishery. However, given that the Bristol Bay RKC stocks are declining precipitously and the fact that crabbers were warned that due to conservation concerns, the 1993 season for Bristol Bay RKC may not occur, a simple exclusive registration might not provide the reduction of effort necessary to manage the Norton Sound fishery and address socio-economic goals.

Therefore, the Board finds the more restrictive definition of Norton Sound as a Superexclusive registration area necessary, fair and timely. Furthermore, Board members found that examples 4, 5 and 6 on pages 8-30 and 31 of the FMP precisely fit the present scenario at Norton Sound.

The Board's overall assessment of the economic opportunity for commercial fishers who participate in the Norton Sound section fisheries, is that out of three available fisheries, herring, salmon and crab, two are in serious decline and the crab fishery remains as the only source of sustainable commercial fishery income. The FMP at section 8.2.8 allows the Board to consider exclusive registration areas to distribute effort, stabilize coastal community economies, and create fisheries where the less mobile vessels such as used in herring and salmon fisheries will be given an opportunity to participate.

The Board considered that there is an exclusive registration area for Bristol Bay RKC that has really not served to restrict effort in the fishery. Furthermore, implementation of a 100 pot limit for the Norton sound RKC fishery in 1992 rather than restricting the fishery resulted in an unprecedented participation by 27 vessels, 5 of which were catcher processors. The vessels were primarily a cross section of the Bering Sea Fleet; slightly over half are home ported in Seattle, the rest are ported on the Alaska Peninsula or in Dutch Harbor. Only one vessel from the Norton Sound area participated.

For these reasons, the Board acted to make Norton Sound superexclusive.

T.M. Elias, Chairman

Alaska Board of Fisheries

**Alaska Board of Fisheries Findings
State Waters Pacific Cod Management Plans
Adopted October 29 - 31, 1996, at Wasilla**

Introduction:

The Alaska Board of Fisheries (board) met at Wasilla (October 29-31, 1996) and approved new management plans for the commercial harvesting of Pacific cod in state waters of the Prince William Sound, Cook Inlet, Kodiak, Chignik, and South Alaska Peninsula Areas. The board's action represented the culmination of a two year public process to advance state involvement in management of groundfish resources in Alaska's territorial waters.

The process included strong support from the Governor's office, a re-programming of state funding to support management activities, and extensive interactions with fishermen, processors, industry representatives and community leaders through the board's local Advisory Committee process. The board, through the Alaska Department of Fish and Game (department) staff, also kept the North Pacific Fisheries Management Council (NPFMC) and National Marine Fisheries Service (NMFS) up to date on the development of state groundfish management plans.

Background:

The board was informed of an April 1995 conference, sponsored by the Peninsula Marketing Association and the Alaska Department of Commerce and Economic Development, to discuss development of a state managed groundfish fishery. A report from this conference was supported by the Governor who in turn requested the department to re-program \$200,000 in funding for state groundfish management.

At its October 1995 work session, the board accepted a department agenda change request to consider groundfish management plans during the 1996/97 meeting cycle. In the winter of 1995/96, the board issued a call for proposals for statewide groundfish management plans to be deliberated in October 1996. The NPFMC and NMFS were informed of the board's acceptance of the agenda change request and its subsequent call for proposals early on in the process. In response to the published legal notice, 46 proposals were submitted by the public and the department before the April 10, 1996, deadline.

Prior to the October 1996 meeting, Prince William Sound, Cook Inlet, Kodiak, Chignik, and Alaska Peninsula Advisory Committees, and other groups met to formulate recommendations for state waters groundfish fisheries.

Identification of Issues and Concerns:

At its October 1996 meeting, the board heard reports from the department staff, including Bob Clasby, Director of the

Commercial Fisheries Management and Development Division, who explained that the department was fiscally limited in its ability to manage groundfish. The board was informed that insufficient funds were available to conduct independent stock assessment. The department also reported that funding was not available to monitor groundfish fisheries with inherent high bycatch rates, such as trawl or longline gear fisheries. Based on this information, the board found that state water groundfish management plans must operate within the conservation parameters established by federal managers and that allowable gear must have low bycatch rates.

Department staff also provided reviews of the various fisheries, from Prince William Sound westward to the Aleutians. The board also reviewed a letter submitted by NMFS Region Director, Steve Pennoyer, which encouraged a strong partnership between state and federal management. The Pennoyer letter urged the board to consider the need to maintain historic harvest statistics based on federal boundaries when establishing new state management areas. Staffs from NMFS and the NPFMC also made presentations to the board.

The board was advised by the Alaska Department of Law that under the Magnuson-Stevens Act, it should not take actions that would have substantial and adverse impacts on federal management or they could run the risk of preemption.

The board discovered that with the advent of federal IFQ and vessel limitation programs, in the absence of similar state waters effort limitation programs, the department was obligated to either close state waters to all fishers or let all fishers participate in state water fisheries. The board believed these considerations, mandated involvement in management of groundfish fisheries conducted in state waters.

The board heard of the impact of federal IFQs, Community Development Quotas (CDQ), and inshore/offshore allocation programs on state fisheries. The board found that current council management had not addressed the needs of small vessel groundfish fishermen. The board also found that the winter season, specified in the NPFMC management plans, made it difficult for small vessels to fully participate in the fishery.

The board received information on the history of state involvement in the management of groundfish resources. The board learned that the department tailored groundfish, and specifically Pacific cod, management actions in state waters to be consistent with the management actions implemented by federal managers in the adjoining waters of the Exclusive Economic Zone (EEZ). In general, state waters were opened and closed concurrently with the adjacent federal management areas.

The board was informed that the harvest of Pacific cod from state waters has gradually increased in recent years. From 1994-1996, the take in the state water portions of the federal Central and

Western Gulf of Alaska Areas averaged approximately 22.6% of the total harvest. The board discovered that the implementation of federal Individual Fishery Quota (IFQ) and license limitation programs were changing the structure of Alaskan groundfish fisheries and making it difficult for many local fishermen to participate in groundfish harvest.

Given this information, the board decided that it would be appropriate to first develop factors to consider when developing state water groundfish management plans. The board discussed the following factors:

1. Minimize bycatch to the maximum extent practicable.
2. Consider protection of habitat from fishing practices.
3. Slow harvest rates to ensure adequate reporting and analysis for necessary season closures.
4. Utilize such gear restrictions as necessary to create a year round harvest for maximum benefit to local communities, the region and the State.
5. Harvest the resource to maximize quality and value of product.
6. Harvest the resource with consideration of ecosystem interactions.
7. Harvest to be based on the total catch of the stock that is consistent with the principles of sustained yield.
8. Prevent localized depletion of stocks to avoid sport, subsistence and personal use conflicts.
9. Management based upon the best available information presented to the board.
10. Management consistent with conservation and sustained yield of healthy groundfish resources and of other associated fish and shellfish species.
11. State fishery management plans adopted by the Board should not substantially and adversely affect federal fishery management plans adopted by the NPFMC.

At a later meeting, the board adopted a set of guiding principles to consider when developing groundfish management plans.

Board Actions and Deliberations:

Prior to deliberating on the 46 proposals, the board reviewed comprehensive staff reports on Alaska groundfish fisheries. In addition, the board reviewed extensive written public comments and heard oral public comments from 30 individuals and eight advisory committees.

The board found it necessary to limit the scope of the new state management plans to Pacific cod to ensure management obligations were consistent with current department funding.

The board specified that state waters should continue to be open concurrent with the federal season. This represents a continuation of the state's recent management practice of tailoring state water groundfish seasons to coincide with the

seasons in the adjoining EEZ waters. The methods and means regulations for participation in the federally authorized season were not significantly modified. In addition, the board established separate state water Pacific cod fishing seasons to be open following closures of federally authorized seasons.

The board linked guideline harvest levels for the state authorized seasons to a percentage of the total catch of Pacific cod authorized by the NPFMC. The board recognized that the total catch authorized by NPFMC is based on stock assessment surveys and is consistent with principles of sustained yield management. The guideline harvest level for the Prince William Sound Area is set at 25% of the total catch authorized by the NPFMC for the Eastern Gulf of Alaska Area. The state authorized season guideline harvest level is initially set at 15% of the Central and Western Gulf of Alaska catch and apportioned between the Cook Inlet, Kodiak, Chignik, and South Peninsula Areas. Once these fisheries have shown an ability to fully utilize the area's guideline harvest level, the guideline harvest level will be increased to 20%, and similarly, when that level is reached, it will be increased again to a maximum of 25%.

The board recognized that the state authorized season would result in transfer of catch from federal waters to state waters. The board believes the graduated guideline harvest level approach allows for an incremental and gradual shift in the harvest so as to minimize the impact on existing fishing patterns. The board expected the initial 15% guideline harvest level to result in an actual modest increase in the state water take of Pacific cod of approximately 6 - 8 percent over recent year levels. At a 20% state season guideline harvest level, the board anticipated an actual 10 - 12 percent increase in harvest from state waters; at a 25% state season guideline harvest level, the board anticipated a 14 - 16 percent increase in actual harvest from state waters. The board reasoned that the federal season will tend to become shorter, corresponding to less Pacific cod being harvested. The shorter season will lead to a decrease in the proportional share of harvest being taken in state waters during the federal season, because the more efficient trawl and longline gear types generally operate in federal waters.

The board elected to utilize existing salmon management areas in order to provide functional jurisdictional areas for groundfish management plans that are familiar to the local fleets. These areas include; Prince William Sound, Cook Inlet, Kodiak, Chignik and Alaska Peninsula Areas. Public testimony supported utilizing existing salmon management area boundaries. Department comments also supported this approach, because it would be functionally consistent with current staffing and organizational structures. The board, however, recognized the need of federal managers to have the ability to apportion catch from state waters to appropriate federal catch reporting areas. The board received information from the department indicating that, even though different management areas were established, the existing

configuration of state water statistical catch reporting areas would enable catch reporting by federal reporting areas.

The board found it necessary to approve registration and gear limitations to reduce harvest rates and to ensure management consistent with available funding. The board chose to make the Prince William Sound, Cook Inlet, Kodiak, Chignik, and South Alaska Peninsula Areas exclusive registration areas. This action was also selected to provide benefits to local economies that are based largely on small boat fishing.

The board was compelled to further reduce the catch rate by limiting the gear in state managed fisheries to mechanical jigging machines, pots and hand troll gear. These gear types were also selected because of the inherent minimal bycatch and mortality of non target species associated with their use.

The board also limited the number of pots that may be fished to 60 per vessel and the number of mechanical jigging machines to 5 per vessel. To assist in the enforcement of pot limits, the board found it necessary to require each pot to be marked with an identification tag. The board did not limit the units of hand troll gear that may be fished per vessel, because hand troll gear is a very inefficient type of fishing gear.

The board also found it necessary to limit the size of participating vessels in some areas to further reduce catch rates, provide for extended seasons, and provide economic benefits to the regions in which the fishing is conducted. In the Kodiak Area, the board found it necessary to impose a 25,000 pound landing limit, per week, for catcher/processor vessels to reduce Pacific cod catch rates and to improve inseason catch reporting capabilities.

The board recognized that the approved registration and gear requirements may limit the ability of the existing fleets to fully utilize the established guideline harvest levels. To alleviate this potential problem, the board authorized inseason management authority for the department to rescind gear restrictions, vessel size limits, and exclusive registration requirements, in that order, if it became necessary to foster full utilization of established guideline harvest levels.


The board found that since the approved plan operated within the Total Allowable Catch (TAC) and Acceptable Biological Catch (ABC) levels established by the NPFMC, the plan was consistent with the state's, NMFS's and NPFMC's sustained yield mandate. The board's approved management plan contained provisions for a slow paced fishery, allowing the department to ensure catches do not exceed the harvest levels set by the board, as well as keeping the harvest at or below the ABC set by the NPFMC. Further the plan did not place a fiscal burden upon the department to conduct stock assessment programs outside of its fiscal means.

At the meeting in October 1996, members of the board repeatedly asked representatives from NMFS whether or not the proposed state groundfish plan would substantially and adversely affect the federal management plan. The board, in response to those direct and pointed inquiries, was consistently and repeatedly informed that the state's proposed groundfish plan would not substantially and adversely affect federal inseason management. These responses led the board to conclude that the state proposed plan would conform to the federal management plan.

At Sitka, Alaska

Date: January 29, 1996

Approved: (7/0/0/0) (Yes/No/Absent/Abstain)


Larry Engel, Chair
Alaska Board of Fisheries

ALASKA BOARD OF FISHERIES
FINDING OF SUPPORT IN THE FINDING OF EMERGENCY FOR
ALEUTIAN ISLANDS DISTRICT West of 170° PACIFIC COD FISHERY
2006-246-FB
February 26, 2006

The Alaska Board of Fisheries finds that an emergency exists and emergency regulations providing for an Aleutian Islands District Pacific Cod Management Plan are necessary for the immediate preservation of the public peace, health, safety, or general welfare. The facts constituting the emergency include the following:

Economic opportunities for residents of Adak and other areas in the Aleutians are limited, and the tax base is highly dependent on fisheries. The small remote community of Adak, redeveloping after closure of a naval base, has lost access to fishery resources in recent years due to factors beyond its control such as crab rationalization which reduced it from packing 80 percent of the Western Brown Crab to 30 percent, stellar sea lion closures which prevent harvest of a federal Pollock allocation, and early harvests of the Pacific Cod total allowable catch, which is shared by the Bering Sea and Aleutian Islands Areas, before Pacific Cod are generally available for harvest in the Aleutians resulting in a fall in the Aleutian Islands harvest percentage from a high of 20.8 percent in 2000 to 10.2 percent in 2005. The federal "A" season for Pacific cod has been becoming steadily more compressed in recent years, with the quota reached on March 24 in 2004 and March 13 in 2005, and with closure as early as the first week of March possible in 2006. The majority of the vessels in the small boat fleet do not hold federal I.J.P's and are limited to participation in fisheries within State waters. Compression of the Pacific cod season, makes it uneconomic for small vessels to gear up and participate in the fishery and is further reducing the already limited opportunities available in the Adak area in both its exiting trawl fleet and its developing fixed gear fleet and this compression is contributing to an economic crisis which endangers the redevelopment of Adak.

In December 2005, the Board originally noticed an intent to adopt proposal 399, a Pacific Cod Management Plan for the Aleutians, at its January meeting, allowing sufficient time for regular regulations to become effective, however, the North Pacific Fisheries Management Council and the National Marine Fisheries Service requested a joint meeting with the Board prior to Board action, expressing concerns about the proposal, including concerns about impacts on resource conservation and sustained yield management, impacts on Stellar sea lions, the possibility of triggering formal consultation under section seven of the Endangered Species Act, impacts on other fisheries, the ability to rollover unharvested Pacific Cod, bycatch concerns, catch accounting concerns, enforcement concerns, and impacts on the related Federal Amendment 85 process. Pursuant to its groundfish guiding principles under 5 AAC 28.089 and its Joint Protocol agreement with the North Pacific Fisheries Management Council, the Board agreed to this request, and thereby resolved a number of urgent issues including insuring that the fishery would not create problems under the Endangered Species Act or violate sustained yield management principles. The decision to consult with the North Pacific Management Council and the National Marine Fisheries Service and to address the issues raised by these agencies made it impossible to adopt regular regulations that would be effective in time to allow a season for the Aleutians to open in March of 2006 impossible, regular regulations could not be effective until April of 2006, by which time the federal parallel fishery would be closed and the total allowable catch for the federal A season would be taken and unavailable to a State waters fishery. Failure to have the regulations in effect for the 2006 season would endanger

development of the fishery in the latter part of 2006 and in 2007, and would be highly detrimental to the welfare of the Adak community and small boat fishermen in the Aleutian Islands area.

In the absence of emergency regulations, due to the timing of Pacific Cod Fishery, severe winter weather conditions in the Aleutians, and a dangerous pass between Adak and the state waters fishing grounds, the small boat fleet would be very limited in its ability to safely participate in the early season and could participate fully and economically only by ignoring weather constraints which often preclude the safe operation of small boats in the Aleutians. Failure to have the regulations in effect for the 2006 season would thus be likely to result in significant public safety issues.

Based on the foregoing facts, emergency regulations with an immediate effective date, providing for a state waters Aleutian Islands Pacific cod management plan, stretching out the season and providing a reasonable opportunity for Pacific cod to be harvested in commercially viable quantities in the Aleutian Islands are needed in order to preserve both the public safety and welfare. The board delegates authority to the Commissioner or the commissioner's designee to prepare and file a formal finding of emergency along with the emergency regulations that reflect the board's actions taken during the February 20 - 26, 2006 meeting.

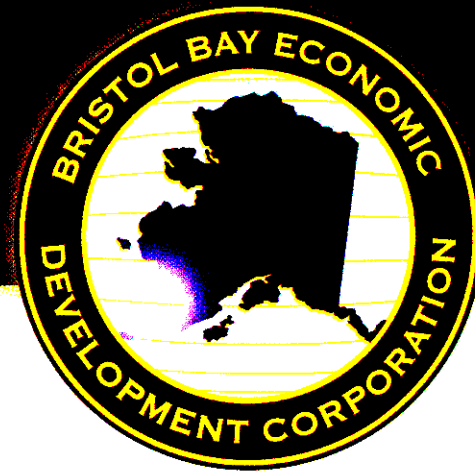
ADOPTED: FEB. 26, 2006

VOTE: 4/1/1/1

ABSTAIN: NELSON



Melvan Morris/Acting Chair



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Permit Loan Committee

Robert Heyano, Chair
Hattie Albecker
Moses Kritz

Bristol Bay Ice, LLC

Robin Samuelsen, Chair
Robert Heyano
Hattie Albecker
Moses Kritz

“Providing Opportunities - Accept the Challenge”

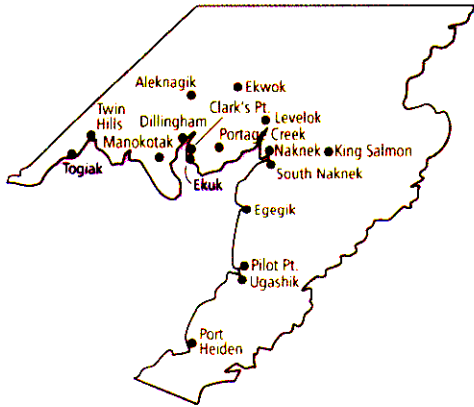
Bristol Bay Economic Development Corporation

P. O. Box 1464, Dillingham, Alaska 99576 / www.bbedc.com

BBEDC Annual Report 2008

July 1, 2007 - June 30, 2008

"It is the purpose of the Bristol Bay Economic Development Corporation to promote economic growth and opportunities for residents of its member communities through sustainable use of the Bering Sea resources."



BBEDC Dillingham

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Dillingham, Alaska 99576
(907) 842-4370 / Fax: (907) 842-4336
Toll free: 1 (800) 478-4370

BBEDC Anchorage

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Anchorage, Alaska 99515
(907) 644-8640 / Fax: (907) 644-8647



BBEDC Annual Report 2008

Letter from the President (2008)



Greetings!

When I look back over the year 2008 at BBEDC, I am very proud of what my Board and staff have done for the region, these folks are committed to making Bristol Bay a better place to live.

King salmon bycatch remains to be a big issue within Bristol Bay. BBEDC led the charge to get a king salmon cap placed on the pollock fleet to protect this important resource. The pollock fishery took 121,755 kings which had a negative impact on the sport, subsistence and commercial fisheries. BBEDC's Board of Directors took action to get a cap in place to protect king salmon stocks in Bristol Bay. BBEDC pushed hard at the North Pacific Fisheries Management Council to set a bycatch cap of 45,000 kings on the pollock fishery. The cap ended up at 60,000 kings, but all was not lost. If the pollock fishery catches 47,591 kings more than twice within a seven year period, the cap becomes 47,591 kings. Chinook bycatch is down since 2007, to 20,559 in 2008 and it's on course to be well below 20,000 in 2009 as most of the pollock industry is finally starting to get it. BBEDC will be keeping the pressure on to see that this trend continues until the hard cap regulations are in place on January 1, 2001.

BBEDC completed construction of a new ice barge; the M/V Bristol Lady was operated by Ocean Beauty and stationed in Egegik. Both set and drift fishermen are requesting ice and more and more are seeing the value of icing their harvest. Although building and operating an ice barge is very expensive, BBEDC has recognized that ice must be on the water where fishermen can access it. The M/V Bristol Lady and the M/V Bristol Maid supplied close to 2 million pounds of ice to fishermen. Most of the major processors paid an additional 10 cents a pound for chilling and one company paid 16 cents a pound; this makes a big difference at the end of the year for our fishermen. From the beginning, BBEDC has led the way looking to improve the quality of the Bristol Bay salmon fishery and we will continue to do so in an effort to increase the prices paid to fishermen.

A salmon permit retention program has been developed for BBEDC residents. The Permit Loan Program is designed to get additional fishing permits back into the ownership of region residents by providing financial assistance in the form of an interest subsidy and sweat equity as well as business counseling and educational opportunities.

This year the Community Seed Grant Program was converted to a Community Block Grant Program, allowing communities more flexibility to identify projects that fit their specific needs. These projects must lead to economic growth that is sustainable, contribute to the reduction of poverty, contribute to employment, and/or provide economic and social benefits for the residents. In 2008, BBEDC funded this program at \$159,000.00 per community. I hope you are enjoying projects within your community.

BBEDC is a very dynamic company that continues with growth both in services to its people and in overall growth of the organization. I want to thank our Board, staff and partners that contribute to making BBEDC a successful organization. If you have comments or suggestions to improve BBEDC services, please give me a call or email. It is great to serve you all.

Sincerely,

H. Robin Samuelsen, Jr.
President/CEO



BBEDC Annual Report 2008

- Construction was completed of the new ice barge M/V Bristol Lady. BBEDC ice barges M/V Bristol Maid and M/V Bristol Lady distributed close to 2 million pounds of ice to fishermen.
- Twenty-four Bristol Bay residents earned over \$457,000 working with BBEDC partners in the Bering Sea fishery.
- BBEDC and the other owners sold their interests in F/V Defender to Dona Martita, increasing BBEDC's share from 49% to 50%.
- The Harvey Samuelsen Scholarship Trust awarded \$308,487 to 78 students.
- Through the Community Block Grant program, \$2,703,000 was awarded to 17 BBEDC communities.
- BBEDC's Regional Fisheries Program expended \$179,000 on slush bags, insulated totes and fish hold insulation.
- Four Bristol Bay residents enrolled in the Permit Loan Program established by BBEDC to help local residents purchase limited entry salmon permits.
- BBEDC and Alaskan Leader Group started a metal fabrication shop to service the Leader boats and other members of the fishing fleet.
- Interest rate assistance was provided to 62 residents; \$108,000 in interest assistance was paid to financial institutions on their behalf.
- BBEDC partner, Alaskan Leader Fisheries once again gave generously through the Alaskan Leader Fisheries Foundation awarding \$29,500 to 17 organizations in BBEDC communities.
- Bristol Bay Permit Brokerage assisted 174 clients with fishing related regulatory transactions.
- Thirteen youth interns were placed around the region, earning \$47,000 in wages.
- Ocean Beauty closed its 80 year old Los Angeles smoke fish processing plant, moving production to its Monroe facility and custom processing locations.
- Arctic Tern Grants totaling \$58,602 were awarded to eleven communities and involved 80-100 youth in unique and worthwhile projects in their communities.
- More than \$1,000,000 was received via tax refunds by participants of the Tax Assistance Program.
- The Bristol Bay Science & Research Institute employed 10 region residents.
- Partnering with the Consumer Credit Counseling Services of Alaska, BBEDC now provides residents free personal finance/education.
- Up to \$2,000,000 per community applicant was made available through the Community In-Region Processing Grant Program.
- Over \$67,000 in wages was earned by 18 residents participating in the Seasonal Employment Opportunities Program.
- Nine residents were placed in Seattle internship positions with BBEDC partners.

*"More than
\$1,000,000
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"Providing Opportunities... Accept the Challenge."



BBEDC Annual Report 2008

Bristol Bay Science & Research Institute

“The Institute has secured over 3.3 million dollars of external funding to support fisheries research and management programs in the Bay since 2002.”

The Bristol Bay Science and Research Institute has been conducting fisheries research and monitoring in Bristol Bay since 2002. This locally directed non-profit subsidiary of BBEDC was incorporated in 1998 and works closely with State and Federal resource managers and industry to improve management of area fish stocks and other natural resources. BBSRI's mission is:

“To undertake scientific and educational projects to facilitate a greater understanding of the environment and fisheries resources of the Bristol Bay region and to pursue projects that will foster the economic health and vitality of the region and its inhabitants.”

Most of BBSRI's work has been associated with the salmon fishery, including annual sampling of the commercial fishery catches, counting salmon in various ways, and operating and interpreting information from the annual Port Moller test fishery. The Institute has secured over 3.3 million dollars of external funding to support fisheries research and management programs in the Bay since 2002.

In addition to the annual monitoring programs conducted in 2008, the Institute completed an exciting multi-year development effort of a sonar system that will be used to count sockeye salmon smolts migrating to sea from area nursery lakes. This innovative application of sonar technology will provide a cost-effective tool for enumerating smolt runs around Bristol Bay, which is one of three focus areas for BBSRI.¹ Smolt enumeration programs will improve preseason forecasts of adult salmon to the different fishing districts and are used to assess and improve goals for the number of fish to let into the spawning grounds each year (i.e., escapement goals). Together, the three focus areas address large-impact issues before the salmon fishery.

The general design of the new sonar system was based on the earlier Bendix Corporation smolt sonar system developed in the 1970s but used modern digital technology and smaller computer components to make relatively inexpensive and much more robust up-looking sonar pods than the Bendix system. Each sonar pod is a stand-alone sonar system and up to 8 pods can be networked together to form a sonar array capable of enumerating tens of millions of smolts going to sea over a few weeks.

The system developed by BBSRI has attracted attention from sonar manufacturing firms from around the world. Working in the field with the Alaska Department of Fish and Game, BBSRI biologists and technicians deployed two new sonar systems in the Kvichak River in May and June, 2008. The tests of each system went well and we were extremely pleased with the systems' performance. Once fully tested and refined in 2009, BBSRI plans to introduce smolt sonar projects on several key Bristol Bay rivers, including the Egegik, Ugashik, Wood, and possibly the Naknek.

¹ The other two focus areas are to improve inseason forecasts of salmon abundance with the Port Moller test fishery and to improve stock composition estimates from fisheries that target Bristol Bay salmon.



BBEDC was pleased to introduce the Judi B to our fleet in 2008. She is a 92' freezer longliner that will focus on AI sablefish IFQ and CDQ and provide a stable harvester for these challenging fisheries. In addition to BBEDC's allocations, another CDQ group transferred a large portion of their 2008 AI sablefish quota to be pooled with ours. This worked very well for the vessel and for both CDQ groups. Nearly all of the CDQ AI sablefish harvested during the season was from our two groups, only a negligible amount was harvested by the other groups. With such a successful first season on the Judi B we anticipate that there will be a demand from other CDQ groups to harvest their allocations on board as well.

BBEDC had a very successful year getting most of our quota harvested. Pollock fishing was comparable to the 2007 season – but with significantly lower salmon bycatch. The Cascade Mariner experienced mechanical problems that hindered their complete harvest of the BS Sablefish quota. The weak global market for flatfish is reflected in the low percentages harvested for those species. As in 2007, the CDQ halibut harvest in 4D went smoothly and brought in more than 99% of the allocation.

Red king crab and opilio were successfully prosecuted. As in 2007, the western Tanner crab (harvested in conjunction with the opilio season) was never found in marketable quantities. On the other hand, our vessels found eastern Tanners (harvested in conjunction with red king crab) and harvested all of our quota.

“With such a successful first season on the Judi B we anticipate that there will be a demand from other CDQ groups to harvest their allocations on board as well.”

CDQ Harvesting Quotas

	BBEDC Allocation	Percent Harvested	Harvesting Vessels
CDQ Target, mt			
Pollock	21,000.000	100%	American Seafoods - Northern Eagle, Ocean Rover, American Dynasty, Northern Jaeger, American Triumph, Northern Hawk Alaskan Leader Fisheries - Bristol Leader, Bering Leader,
Pacific Cod	3,822.19	100%	Alaskan Leader
BS FG Sablefish	57.20	92%	Cascade Mariner
AI FG Sablefish	69.54	93%	Aleutian Leader Fisheries - Judi B
Flatfish Pool			U.S. Seafoods - Seafreeze Alaska, Ocean Alaska, Legacy
Yellowfin Sole	5,759.95	17%	
Rock Sole	1,846.09	14%	
Flathead Sole	1,128.31	4%	
Atka Mackerel	974.35	100%	
Pacific Ocean Perch	280.89	97%	
BS Sablefish	23.60	52%	
AI Sablefish	9.15	10%	
BS Greenland Turbot	37.45	90%	
Arrowtooth Flounder	1,765.50	16%	
CDQ Target, lbs.			
4D/4E Halibut	243,582	68%	Shemya
EAI Golden King Crab	56,700	100%	Erlan-N
Bristol Bay Red King Crab	386,916	99%	Bristol Mariner, Pacific Mariner, Aleutian Mariner Bristol Mariner, Pacific Mariner, Arctic Mariner, Nordic Mariner
Opilio Crab	1,260,680	100%	Mariner
Tanner Crab	93,841	56%	Nordic Mariner

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BBEDC Annual Report 2008

Education Initiatives

“Camp was fast and fun leaving students with a new found respect for salmon as a commercial, sport and subsistence resource.”

Salmon Camp

Twenty students from thirteen Bristol Bay communities attended one of the three Salmon Camp sessions scheduled for students in grades six through eleven in 2008. Salmon Camp is a hands on learning experience offered to students throughout the Bristol Bay region.

Students attending the 6th grade camp came from King Salmon, Koliganek, Igiugig, Ekwok and Dillingham. They learned the basic salmon life history, toured the operations at Peter Pan Seafoods in Dillingham, tied flies and learned to fly fish, and collected and analyzed macro invertebrates. Camp was fast and fun leaving students with a new found respect for salmon as a commercial, sport and subsistence resource.

Manokotak, Koliganek, Kokhanok, Port Heiden and Dillingham students attended the 7th/8th grade camp. They gained an appreciation for how Bristol Bay salmon use is managed by the Alaska Department of Fish & Game (ADF&G). They captured, tagged and tracked salmon, spent a day with the Fisheries Research Institute on a spawning stream as well as a day at the Togiak Tower counting and sampling fish. BBNA and ADF&G Subsistence Division gave a presentation on their data collection and analysis methods. Students gave poster board presentations in the BBEDC board room explaining various aspects of a specific salmon species and Bristol Bay drainage.

The high school camp was again taught by Dr. Raddenbaugh from the UAF Bristol Bay Campus. Students from Togiak, Aleknagik and Manokotak received one college credit for the ecology course that involved comparing salmon spawning streams on Lake Aleknagik by observing water quality, stream substrates and biology.



Harvey Samuelsen Scholarship Trust

The Harvey Samuelsen Scholarship Trust continues to provide postsecondary scholarships to BBEDC students throughout the region. The Trust awarded \$308,487 toward the education of 78 BBEDC residents in 2008. Harvey Samuelsen Scholarship recipients attend accredited colleges and universities as full-time students throughout Alaska, Canada, and the lower 48 states.

College Development Fund

BBEDC is committed to helping students pursuing a college degree who don't have the option of attending school outside of the region. Seventy-seven BBEDC residents received \$86,645 in scholarships during the spring, summer, and fall semesters in 2008. Each recipient is a part-time degree seeking student attending UAF's Bristol Bay Campus, or another University of Alaska institution via distance education. Scholarships are limited to \$1,000 per semester.

Student Loan Forgiveness

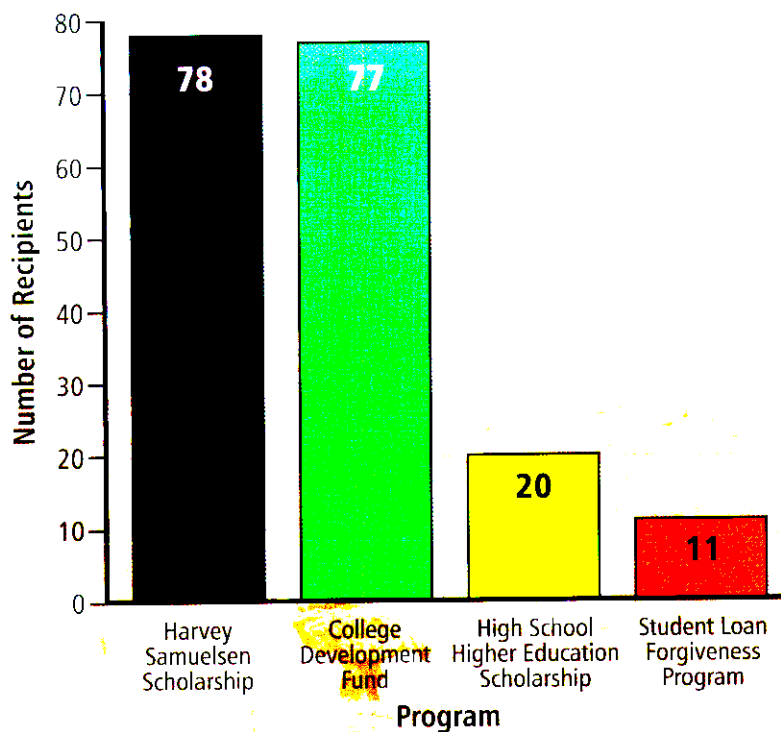
In 2008, 11 residents received Student Loan Forgiveness awards totaling \$22,338. The Student Loan Forgiveness program encourages region residents to return to work in the region after completing their education. Successful applicants must have been a resident of a BBEDC community prior to earning a degree and work in a BBEDC community for 12 months. Student Loan Forgiveness recipients receive financial assistance for their student loans over the course of five years; 10% in year 1, 20% in year 2, 30% in year 3, 50% in year 4, and 100% in year 5. Total amount is not to exceed \$20,000.

High School Higher Education Scholarship

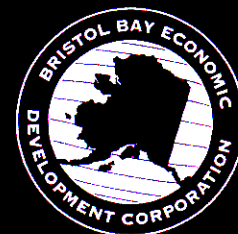
BBEDC provides high school students with financial aid to take college courses for dual high school/college credit. These courses prepare students for higher education and give them a head start on their postsecondary education. Scholarships are limited to \$500 per semester. Twenty high school students took college classes expending \$7,496.

"The Harvey Samuelsen Scholarship Trust awarded \$308,487 to 78 BBEDC residents."

Number of Higher Education Scholarship Recipients



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BBEDC Annual Report 2008

Education Initiatives

Scholarship Recipient Highlights

Shelley Dawn Woods

Shelley Woods is a current recipient of the Harvey Samuelson Scholarship Trust as well as an instructor at BBEDC Salmon Camp. Shelley also has participated in the Bristol Bay Science and Research Institute internship program for 5 years. She recently received the UAF School of Fisheries Outstanding Undergraduate Senior award and had this to say:

"I am honored to receive the UAF School of Fisheries Outstanding Undergraduate Senior Award for the 2008-09 school year. For the past two years I have been a fisheries student at UAF. The faculty and staff at the School of Fish (SFOS) has been nothing but helpful, and I have found my place in their community. My journey to study fisheries began while running around Ekuik Beach as a little girl. I was always interested in fish and how they ended up on my plate. During breaks from college I have been able to come back home and work in the fisheries field and answer some of my own questions behind salmon biology, social aspects of life in general, and how I am going to fit into the workforce. These experiences cannot be duplicated in the classroom, and I owe a big thank you to BBEDC, BBNA, the Alaska Department of Fish and Game, and the US Fish and Wildlife Service for making my summers exciting and valuable. Without these important internships and the support of my family, friends, and community, I believe I would not have made it this far. I will graduate in December of 2009 and begin a graduate program after that. I still do not know where life will take me, but I will return to Dillingham when I am finished with my degree(s). This place is home, and it is so because I love the people and the land!" - Shelley Woods



James Hansen

James Hansen first came to BBEDC as an intern in the Permit Brokerage Department. He has been a Harvey Samuelson Scholarship recipient for three years and recently graduated in May 2009 from the University of Alaska Fairbanks with a Bachelor of Science Degree in Civil Engineering. During his last month of school, James was offered an engineering position with not just one, but two major engineering firms operating out of Texas. Before James' actual graduation date he accepted the offer with British Petroleum in Houston. James says he will be part of BP's Challenge Program which is a four-year program that not only assigns a mentor for James, but allows him to spend a year working within each of the various engineering specialty departments at BP. Upon completion of the program, James will then decide which department within the mega-petroleum company he would like to work as well as where he would like to be stationed. Congratulations James and good luck to you and your family!



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"Shelley Woods recently received the UAF School of Fisheries Outstanding Undergraduate Senior award; James Hansen has been a Harvey Samuelson Scholarship recipient for three years and recently graduated in May 2009 from the University of Alaska Fairbanks with a Bachelor of Science Degree in Civil Engineering."



Seasonal Employment

The Seasonal Employment Opportunities Program was developed in 2008 to create entry level, seasonal employment opportunities for residents by placing them in temporary positions around the Bristol Bay region. BBEDC works with organizations to identify employment opportunities, recruit, interview and hire CDQ residents. These positions can last up to 16 weeks and new opportunities are created annually. In its first year, the program employed 18 residents who earned over \$67,000 in wages.

Bering Sea Employment

BBEDC has ownership in virtually every sector of the Bering Sea and continues to ensure that employment agreements are in place with each CDQ partner to increase the availability of employment for our residents. Employment opportunities with BBEDC partners in the Bering Sea fisheries on offshore vessels and in onshore plants require commitment and dedication that pay off with attractive wages those residents can bring back to the region. Twenty-four Bristol Bay residents earned over \$457,000 in wages this year. Opportunities are found year round with peak periods of employment January through April and again September through November. Working in the seafood processing industry allows residents to earn good wages as a seasonal employee while still being able to participate in the commercial fishing season and subsistence lifestyle back home.

“BBEDC is working hard to create new employment opportunities for its CDQ residents.”



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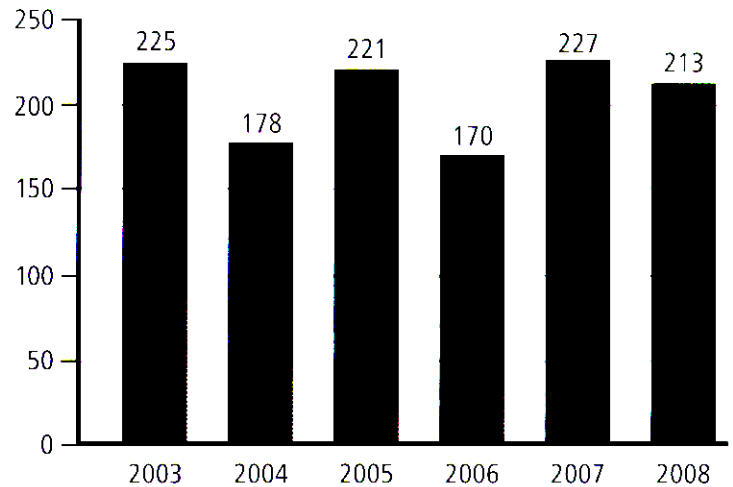
Employment and Training

“BBEDC is committed to offering a variety of training opportunities to residents of the 17 CDQ communities.”

Basic Vocational Training

Basic Vocational Education programs are offered to provide short-term training necessary for residents needing new skills related to their employment. Classes are currently offered by the Bristol Bay Campus, Southwest Alaska Vocational Education Center along with an occasional other entity such as Bristol Bay Area Health Corporation. Funds from this program also support BBEDC workshops and local career/job fairs. BBEDC provided \$40,000 which allowed 147 CDQ and non-CDQ residents to receive classes at a reduced rate in 2008.

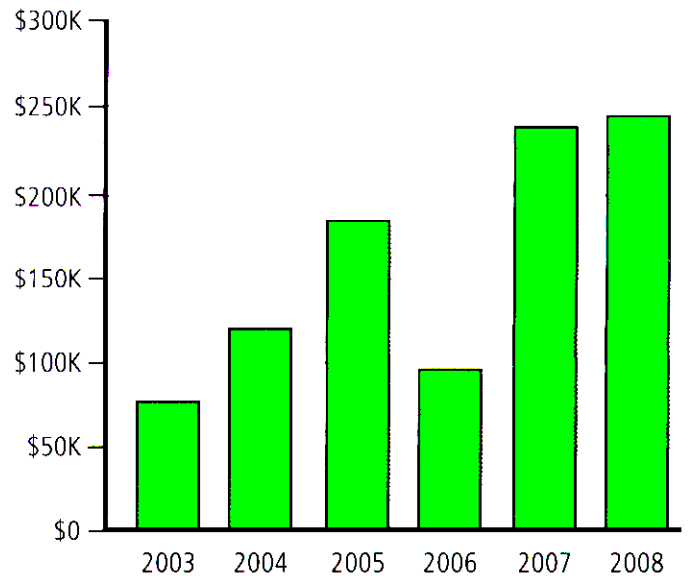
Vocational Students Trained



Advanced Vocational/Technical Training

BBEDC's training opportunities continue to grow and expand based on the principle that highly skilled workers earn higher wages and have more employment opportunities. In 2008, the Advanced Vocational/Technical Training Program awarded 66 vocational scholarships, totaling \$210,000. This program supports CDQ residents who are interested in earning a vocational certificate, license or degree. BBEDC provides funding to qualified residents who wish to attend vocational training at a recognized school or training facility; qualified applicants are eligible to receive up to \$5,000 in vocational scholarships.

BBEDC Vocational Training Funding



Adult Basic Education

In 2008, \$40,000 in financial support was provided to the Bristol Bay Campus to conduct Adult Basic Education courses and the GED program offered through the University of Alaska Fairbanks. Obtaining a GED and Adult Basic Education skills better equips students for more advanced BBEDC education and training programs as well as increasing their employability. The program continues to be successful with 194 residents participating and 17 students receiving general education diplomas this year.



Seattle-based Internships

The Seattle Internship Program has been an innovative way to introduce a resident with little or no work experience into work settings through our trusted fishing partners in Seattle. BBEDC partners have created internships in their Seattle offices in the areas of accounting, human resources, marketing, information technology, logistics and more. In addition to learning new skills, the Seattle internship introduces interns to the urban lifestyle and culture. This program makes available to local residents several rotating positions per year with a duration of six months each. Many successful interns go on to other full-time jobs or seek additional training or education upon completion of the internship. BBEDC expended \$134,000 in 2008 to place 9 residents in Seattle internship positions.

Youth Internships

Thirteen youth interns ages 14-17 years old earned \$43,000 in wages around the region in 2008. BBEDC works cooperatively with business entities to create youth internships that focus on helping young adults develop basic and essential employability skills. Primary objectives of the program include teaching youth how to fill out job applications, develop interview skills and learn the importance of having a good work ethic.

In-Region Internships

Each summer, BBEDC partners with the Alaska Department of Fish & Game and/or the U.S. Fish & Wildlife Service to offer adult internships that have a focused learning plan and are fisheries related. These In-Region internships last approximately 12 weeks and typically employ college students interested in fisheries and science. In the summer of 2008, interns earned over \$11,000 in wages.

“BBEDC takes pride in its ability to offer a well developed variety of internships to CDQ residents that provide a meaningful work-learning experience.”



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BBEDC Annual Report 2008

Regional Fisheries

*“More fish,
lower operating
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CDQ residents
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of BBEDC’s
Regional
Fisheries
Program.”*

Regional Fisheries Program

More fish, lower operating costs and increased income for CDQ residents are the goals of BBEDC’s Regional Fisheries Program. Charting its course is the work of Regional Fisheries Committee Co-Chairs Moses Kritz and Robert Heyano, and committee members Hattie Albecker, Victor Seybert, Mark Angasan and Steven Angasan.

Board of Fisheries

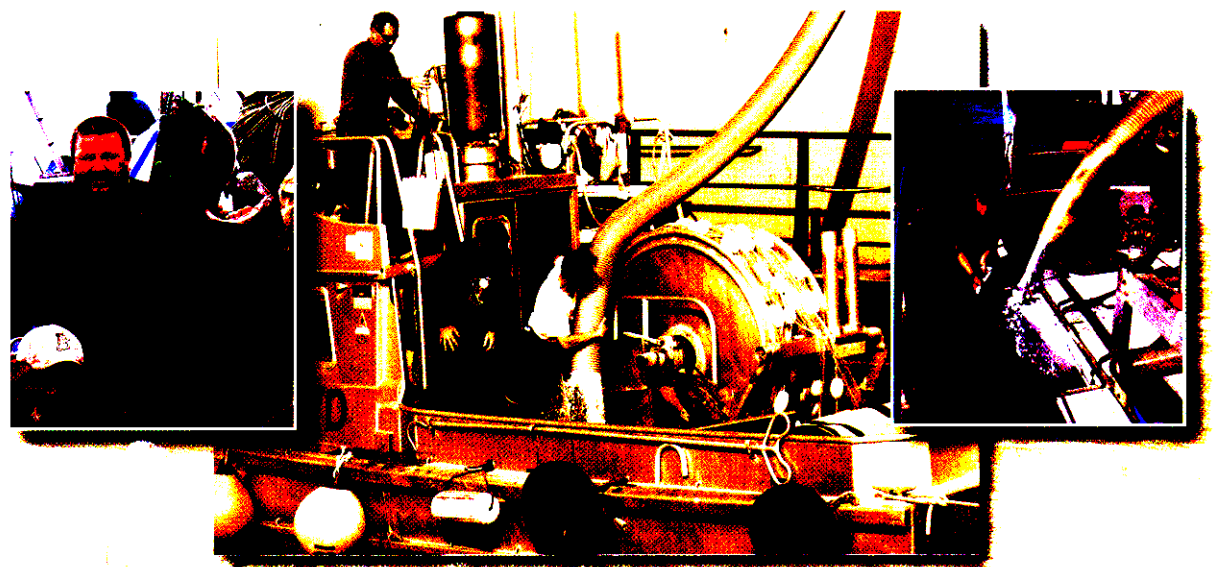
BBEDC’s continued appeals to the Alaska Board of Fisheries to hold its 2009 meeting in a Bristol Bay community were unsuccessful in 2008. Results of a survey of local permit holders’ attitudes regarding permit stacking, the 32-foot vessel limit and related issues will be among materials made available to local residents wishing to testify before the Board, and discussions are ongoing on how to ensure that residents’ concerns are heard. Watershed residents are urged to take advantage of every opportunity to inform themselves on the potential impacts of proposed changes that will affect their livelihoods, and to make plans to participate in the Board process at the 2009 regulatory meeting.

Chilling the Catch

With the launching of BBEDC’s second ice barge, the Bristol Lady, BBEDC’s ice production more than doubled in 2008. Similar in capacity to the Bristol Maid, a now familiar site on anchor near Clarks Point, the Bristol Lady served the fleet at Egegik. Together they sold close to two million pounds of ice in 2008, enough to chill nearly eight million pounds of fish and boost income to fishers by almost \$1 million.

Does chilling and careful handling make a difference to a fisherman’s bottom line? In addition to a 16 cent a pound chilling bonus, one progressive processor paid an additional three-cent a pound premium for salmon delivered in brailer weights of less than 600 pounds – quality bonuses that amounted to 25 percent more than the average grounds price paid in 2008. Even more was earned by top fishermen participating in a special bleeding and icing program with BBEDC partner Ocean Beauty Seafoods: \$1.19 a pound was paid for live bled and chilled sockeye – 75 percent more than the average 2008 grounds price.

BBEDC continues to provide local fishermen with the tools they need to chill their catch and improve the quality of their salmon. Expenditures on slush ice bags, insulated totes and hold insulation totaled \$179,000 in 2008, up from \$143,000 the previous year. Spending on totes, slush bags and hold insulation totals more than \$800,000 since BBEDC’s chilling program began in 2004.



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Foregone Harvest

After Bristol Bay itself, the world's second biggest salmon run is Bristol Bay's "forgone harvest," those fish surplus to escapement needs that go uncaught when processors suspend buying or put fishermen on limits. A BBEDC-sponsored analysis showed that from 2003 to 2008, salmon worth \$131 million to fishermen – and \$360 million to the economy as a whole – were lost to foregone harvest. BBEDC has been working in cooperation with the Bristol Bay Native Association, industry, the state and other entities in attempt to address the very serious problem this lost economic opportunity represents.

Halibut

Halibut catches in the southern section of Area 4E, fished by BBEDC community longliners continued to decline in 2008, with a corresponding lack of participation by local fishers. Reasons for the decline in halibut abundance – from more than 200,000 pounds caught in 2002 to barely 30,000 pounds in 2008 – include allegations of unacceptable levels of by-catch by the yellowfin trawl fishery operating west of Cape Constantine to, as others suggest, natural changes in migration patterns and abundance. Catches in the northern section of Area 4E appear undiminished, however, and BBEDC again shared a portion of its unharvested halibut quota with neighboring CDQ groups in 2008.

“A BBEDC-sponsored analysis showed that from 2003 to 2008, salmon worth \$131 million to fishermen – and \$360 million to the economy as a whole – were lost to foregone harvest.”



BBEDC Annual Report 2008

Community Liaisons

“Each CDQ community has the opportunity to have an on-site representative to connect local residents with BBEDC programs and services.”

Efforts to improve lines of communication between BBEDC and our 17 CDQ communities and residents continued in 2008. Each CDQ community has the opportunity to have an on-site representative to connect local residents with BBEDC programs and services. BBEDC made grants of \$27,500 available to each community to be used for wages and support for an individual to serve as the liaison for BBEDC programs. Many of the liaisons have been in their positions for several years. Their individual knowledge and expertise continues to provide a very valuable information resource to both BBEDC and to their residents. Liaisons attend monthly teleconferences and an annual training so that they can offer current information on BBEDC programs to the residents of their communities. BBEDC believes strongly in the power of grass roots communication and knows that the Community Liaison Program is an important component of its outreach efforts.

Contact your Community Liaison for applications and information on BBEDC programs.

Community Liaisons

Program Manager		
Aleknagik	Ryan Savo	842-4370
Clarks Point	Danny Togiak	842-5725
Dillingham	Lawrence Olson	236-1479
Egegik	Christopher Maines	842-2384
Ekuk	Misty Apalone	233-2225
Ekwok	Maria Binkowski	842-3842
King Salmon	Crystal Clark	464-3387
Levelock	Ralph "Bucko" Angasan, Jr.	246-3553
Naknek	Greg Andrew III	287-3030
Manokotak	Viola Savo	246-4210
Pilot Point	Tessa Gloko	289-1429
Portage Creek	Victor Seybert	797-2208
Port Heiden	vacant	
South Naknek	John Christensen, Jr.	837-2295
Togiak	Karl Rawson	246-8711
Twin Hills	Joe Alexie	493-5003
Ugashik	Diane Abraham	525-4821
	Nancy Flensburg	797-2400



Community Grants Support Economic Development

The Community Block Grant (CBG) Program was initiated in 2008 to replace the Community Seed Fund program. The CBG Program provides BBEDC communities with the opportunity to fund projects that promote sustainable community and regional economic development. The Board of Directors establishes the amount of funding available each year. In 2008, each community was given an opportunity to receive up to \$159,000 in CBG funds. Projects are fishery related, either directly or in a support service capacity, must operate within the region and must have tangible results that are feasible and sustainable. BBEDC communities used the funds to accomplish a variety of projects that contribute to their individual community economies and to the greater regional economy.

BBEDC 2008 Community Block Grants

\$ 159,000	City of Aleknagik, Float Plane Road
\$ 159,000	Clarks Point Village Council, City Electric Power Upgrade
\$ 159,000	City of Dillingham, Comprehensive Plan Update/Waterfront Development Plan, Infrastructure Assessment
\$ 159,000	City of Egegik, Fisherman's Hall/Community Center, Phase I
\$ 79,500	Ekuk Village Council, Equipment Acquisition, Phase II
\$ 54,000	Ekuk Village Council, Land Purchase
\$ 25,500	Ekuk Village Council, Seafood Business Plan, Phase II
\$ 159,000	Ekwok Village Council, New Clinic Construction
\$ 86,378	King Salmon Village Council, King Salmon Net Storage Building
\$ 72,622	King Salmon Village Council, King Salmon Boat Storage, Part 2
\$ 159,000	Levelock Village Council, Processing Plant Development
\$ 159,000	Manokotak Village Council, Community Plan, Feasibility Study, Boat Launch
\$ 159,000	Naknek Village Council, Dolly's Hall Extension, Phase III
\$ 159,000	Pilot Point Tribal Council, Seafood Infrastructure Projects
\$ 159,000	Native Council of Port Heiden, Fuel Truck & Building Upgrade
\$ 159,000	Portage Creek Village Council, Planning/Design Solid Waste Site Road
\$ 159,000	South Naknek Village Council, Equipment Storage Building, Fisheries Development Center Completion, Furnace Upgrades in Clinic/Administration/Community Center
\$ 36,000	City of Togiak, Business Plan for Voc Training Center
\$ 28,646	City of Togiak, Ice Machine
\$ 94,354	City of Togiak, Rock Drill Purchase
\$ 76,200	Twin Hills Village Council, Solid Waste Landfill Improvements
\$ 82,800	Twin Hills Village Council, Generator Acquisition, Phase II
\$ 20,000	Ugashik Traditional Village, Ice Machine Maintenance
\$ 139,000	Ugashik Traditional Village, Phase 2, Ugashik Dock Project

\$2,703,000 2008 Total Funds Awarded

"The CBG Program provides BBEDC communities with the opportunity to fund projects that promote sustainable community and regional economic development."



"Providing Opportunities... Accept the Challenge."

BBEDC Annual Report 2008

Economic Development

“The Interest Rate Assistance (IRA) program was first introduced in 2004 and continues to provide resident fishers assistance with interest expenses that occur with fishing loans.”

Bristol Bay Permit Brokerage

For 14 consecutive years, the Bristol Bay Permit Brokerage has assisted residents and non-residents alike with fishing related regulatory transactions, including CFEC permit/vessel renewals, emergency and permanent transfers and Coast Guard documentation. In 2008, 179 clients were assisted with 221 transactions. Over \$20,000 in fees were collected and transmitted to CFEC and Coast Guard for permit/license renewals, transfers and other. BBEDC handled over \$141,000 in emergency transfer/lease fees with most going to CDQ residents. The Brokerage was established in 1994 with the mission of retaining limited entry permits in the Bristol Bay region. Today the office serves as a point for listing permits for sale or lease and as an extension of the licensing section of the Commercial Fishing Entry Commission (CFEC). The Brokerage is an integral part of the Permit Loan Program.

Permit Loan Program

BBEDC believes that reversing the migration of limited entry salmon permits out of the Bristol Bay region will assure that residents maintain an ability to generate income and thus support resident owned businesses and generally enhance the economic health of our communities. BBEDC's Permit Loan Program was created in 2008 after years of research and consideration. BBEDC works cooperatively with the Commercial Fishery and Agriculture Bank (CFAB) to guarantee appropriate loans to qualified Bristol Bay drainage residents to purchase drift or set permits. After acceptance into the program, the participants receive financial assistance in the form of interest subsidy and “sweat equity” as well as business counseling to enhance the permit holder's operation of their fisheries business. In its initial year, the Permit Loan Program enrolled four Bristol Bay residents. Two residents purchased drift permits and two purchased set permits. Bristol Bay continues to be the sockeye salmon capital of the world. The demand for quality products and the changing markets have had a dramatic impact on the fishing industry in Bristol Bay. Today's commercial fishers are independent small business operators who continue to be leaders in an age-old industry that is becoming increasingly sophisticated. In light of this change, the Permit Loan Program provides mandatory continuing education for the participants so that they can apply current practices to their successful fishing business.

Interest Rate Assistance

The Interest Rate Assistance (IRA) program was first introduced in 2004 and continues to provide resident fishers assistance with interest expenses that occur with fishing loans. The assistance is provided to allow resident fishers to use more of their fishing income to re-invest in their fishing operations (boat upgrades, chilling systems, gear, purchase permit and other) and become more competitive in the current market. In 2008 there were 62 participants and \$108,000 was paid to financial institutions in interest assistance on their behalf.



Arctic Tern supports employment for young people

The Arctic Tern Program provides funding to each of the BBEDC CDQ communities for jobs and educational activities for youth under the age of 17. The opportunities provided to young people encourage pride and a sense of community responsibility and allow youth to gain the self-confidence, career awareness, financial literacy, and interpersonal competencies needed to succeed over the long term. In 2008, grants totaling \$58,602 were awarded to eleven communities and involved 80 to 100 youth in unique and worthwhile projects.

Clarks Point	\$5,500	AFN Elder/Youth Conference Participation for 11 youth
Dillingham	\$5,500	Summer Service Slam – Building Assets and Culture for 15-25 youth
Igegik	\$5,500	Community Clean-Up for 3 to 4 youth
Ekwok	\$5,500	Elder Assistants, Community Clean-up, Cemetery Clean-up for 10 youth
Ekuk	\$5,500	AFN Elder/Youth Conference Participation for 6 to 7 youth
King Salmon	\$4,188	AFN Elder/Youth Conference Participation for 4 youth
Manokotak	\$4,914	Net hanging and Community Clean-up for 16 youth
Naknek	\$5,500	AFN Elder/Youth Conference Participation for 5 youth
Pilot Point	\$5,500	Assistance to Elderly and Fire Hose Cleaning for 3 to 5 youth
Twin Hills	\$5,500	Cultural Activity Project for 11 youth
Ugashik	\$5,500	Assist in Tribal Office/Community Center, Village/Beach Clean-up for 3 to 5 youth

Tax Assistance Program

BBEDC continued the Tax Assistance Program in 2008 with more than 900 participants. This program provides up to \$150 towards the preparation of current year federal income tax documents by professional resident tax preparers as approved by BBEDC. The program was established to replace the taxpayer clinics arranged by the IRS until approximately 5 years ago. The program provides residents with an opportunity to timely file accurate tax returns, enhances the amount of money returned to the region in tax refunds and greatly enhances resident's knowledge of tax obligations. In 2008 BBEDC spent \$130,000+ for tax assistance and more than \$1,001,300 was received via tax refunds by participants of the Tax Assistance Program.

Technical Assistance Program

Technical Assistance is provided to residents or community entities to develop business plans, project planning and development and other specific projects. Assistance is provided by a professional consulting firm retained by BBEDC. In 2008 our services were expanded to provide assistance to individuals completing applications to the Alaska Division of Investments or the Commercial Fishing and Agriculture Bank for fishing related loans. Staff and contractors travel to communities throughout the region in order to meet face-to-face with potential applicants.



Participants learn to catch, clean, split and smoke subsistence fish at Culture Camp

“Providing Opportunities... Accept the Challenge.”

“In 2008, grants totaling \$58,602 were awarded to eleven communities and involved 80 to 100 youth in unique and worthwhile projects.”



BBEDC Annual Report 2008

Economic Development

“As a part of the effort to reverse the migration of limited entry permits and enhance healthy economies in our communities, BBEDC developed a program to assist residents individually.”

Grant E-List

A grant newsletter is now distributed to our communities via monthly email. The Grant E-list contains current information on funding opportunities that may be of importance to our Bristol Bay communities. Cities and tribal organizations in BBEDC communities are invited to make use of the list. Contact alice@bbedc.com to ask to be placed on the email list.

Virtual (Community) Resource Library

Access to current plans, data and information pertaining to both the individual communities and the region as a whole is a critical element for developing a good grant application, business plan, feasibility study and more. In an effort to enhance our community's access to information, BBEDC began a project to create a virtual resource library with the assistance of a professional consulting firm. The project is in the design stage which should allow for use in 2009.

Personal Finance/Education

As a part of the effort to reverse the migration of limited entry permits and enhance healthy economies in our communities, BBEDC developed a program to assist residents individually. Guidance and counseling on personal financial management/credit recovery is a critical part of providing residents with the knowledge and tools necessary to manage their fishing operations or related small businesses and reverse personal economic distress. In order to assure that residents receive assistance from a reputable and competent source, the BBEDC partnered with the Consumer Credit Counseling Services (CCCS) of Alaska. CCCS of Alaska staff counselor(s) travel to the Bristol Bay Region on a regular basis and provide one-on-one counseling (in person, via phone or email) and workshops in the communities. Clients are not charged a fee when referred by BBEDC for credit counseling, credit recovery, personal budgeting or other services.

Community In-Region Processing Plant Grant Program

BBEDC communities have a tremendous interest in establishing sustainable processing businesses that will contribute to the community and regional economy. The BBEDC Board determined that the previous Infrastructure Matching Grant Program appeared to be inadequate to provide communities with the resources needed so therefore in 2008, BBEDC introduced the Community In-Region Processing Plant Grant Program (PPGP). The program is available only to tribal and city entities in BBEDC communities and provides funding for projects that promote sustainable community and regional economic development. Applicants are eligible for up to \$2 million per community applicant. Projects must meet strict standards that assure that the project is feasible, sustainable and generates benefits in terms of employment or income generating opportunities for the community, residents and the region. A formal business plan, local ownership and an industry partner are among the standards that must be met. Our Technical Assistance Program is integral to this grant program as it provides business planning guidance to assure that the Business Plan and the Grant Application contain the information necessary for BBEDC to make a positive decision.



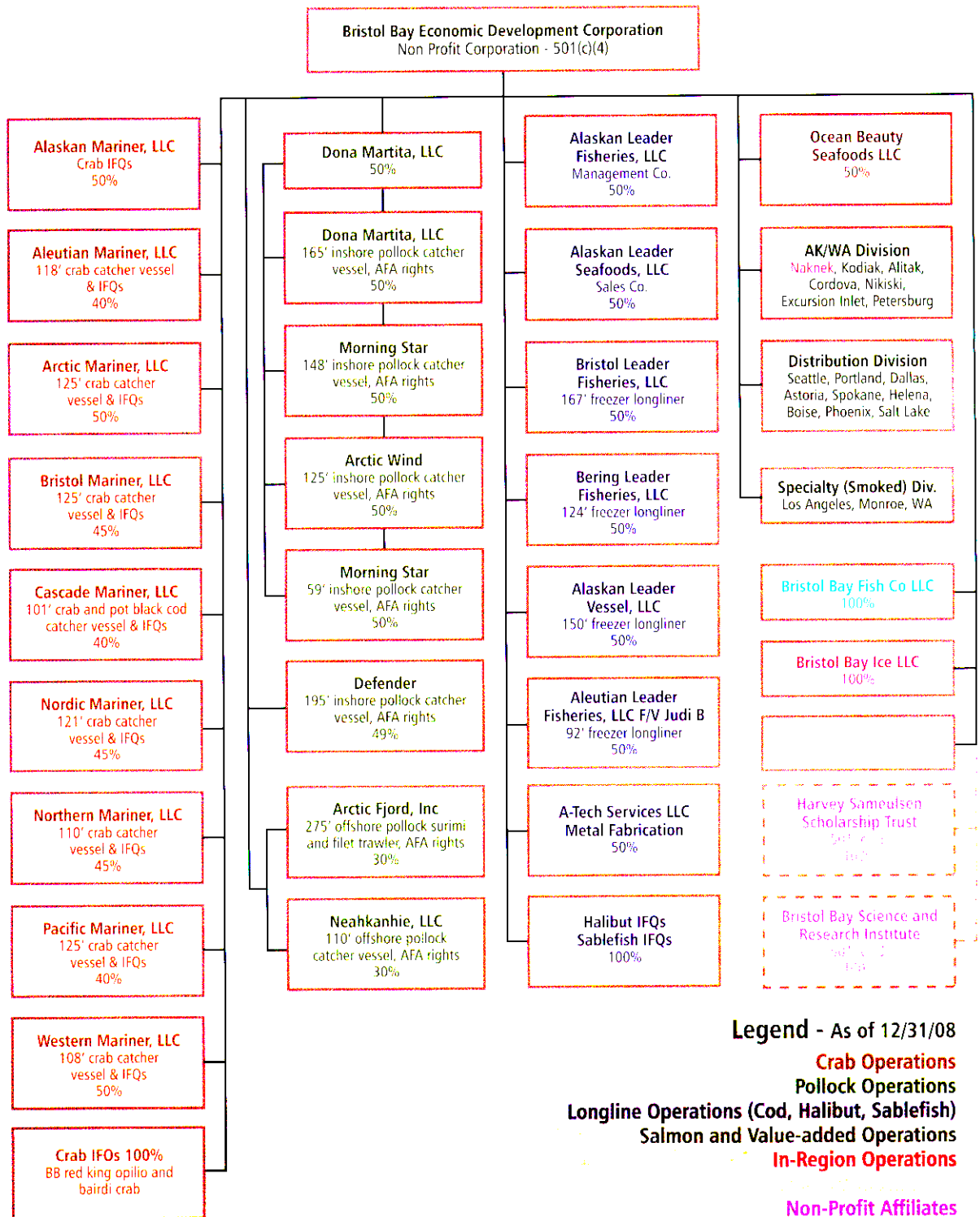


“The fleet of vessels pictured at left serves our entire BBEDC family, ensuring its prosperity now and in the future.”



BBEDC Annual Report 2008

Organizational Chart



Legend - As of 12/31/08

- Crab Operations**
- Pollock Operations**
- Longline Operations (Cod, Halibut, Sablefish)**
- Salmon and Value-added Operations**
- In-Region Operations**
- Non-Profit Affiliates**
- Dissolved in 2008**



**BRISTOL BAY ECONOMIC
DEVELOPMENT CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2008 and 2007

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 6,817,454	10,164,207
Investments in marketable securities	759,044	1,627,991
Trade Receivables	2,897,776	1,458,067
Receivable from sale of investment	11,123,490	-
Accrued interest	340,611	367,658
Prepaid expenses and other assets	94,640	37,481
Total current assets	<u>22,033,015</u>	<u>13,655,404</u>
Long-term assets:		
Promissory note receivable from affiliate		600,000
Investments in marketable securities	43,388,628	48,754,935
Investment in unconsolidated affiliates	54,137,724	54,822,183
Equity method goodwill	30,477,067	36,156,328
Investment in individual fishing quotas	14,642,228	14,642,228
Property, plant and equipment, net	4,723,551	3,251,981
Total long-term assets	<u>147,369,198</u>	<u>158,227,655</u>
	<u>\$ 169,402,213</u>	<u>171,883,059</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,295,647	722,360
Deferred revenue	30,000	37,930
Community and business development fund awards	3,576,024	3,226,433
Notes payable	30,840	4,030,869
Total current liabilities	<u>5,932,511</u>	<u>8,017,592</u>
Notes payable less current portion	<u>23,066,240</u>	<u>32,096,810</u>
Total liabilities	<u>28,998,751</u>	<u>40,114,402</u>
Net assets	<u>140,403,462</u>	<u>131,768,657</u>
Commitments and contingencies	<u>-</u>	<u>-</u>
	<u>\$ 169,402,213</u>	<u>171,883,059</u>

Audited Financial Statements Prepared by KPMG, LLP

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BBEDC Annual Report 2008

Consolidated Statements of Activities

BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Activities

Years Ended December 31, 2008 and 2007

Changes in unrestricted net assets:	2008	2007
Revenues and gains:		
Program revenue	\$ 12,611,347	14,768,161
Interest and dividend income	2,266,627	2,573,394
Net (loss) gain on investments	(9,478,004)	1,392,245
Loss on sale of unconsolidated affiliate	(40,762)	—
IFQ investment income	2,076,105	1,719,768
Grant revenue	250,043	244,525
Equity in income of unconsolidated affiliates	12,895,068	8,804,646
Other	325,548	277,770
Total unrestricted revenues and gains	20,905,972	29,780,509
Expenses:		
Program	9,562,386	7,555,260
Finance and administration	1,551,324	1,473,569
Total expenses	11,113,710	9,028,829
Increase in net assets before income taxes	9,792,262	20,751,680
Income tax expense	(1,157,457)	(267,668)
Increase in net assets	8,634,805	20,484,012
Net assets at beginning of year	131,768,657	111,284,645
Net assets at end of year	\$ 140,403,462	131,768,657

Audited Financial Statements Prepared by KPMG, LLP



**BRISTOL BAY ECONOMIC
DEVELOPMENT CORPORATION AND SUBSIDIARIES**

Schedule of Finance and Administrative Expenses

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Salaries	S 628,655	598,798
Benefits and payroll taxes	239,104	186,627
Professional fees	113,096	116,186
Accounting fees	102,253	107,277
Board fees	75,619	87,612
Depreciation and amortization	102,134	82,127
Travel and per diem	95,767	76,664
Office expense	57,269	44,538
Utilities	37,313	37,119
Janitorial	18,176	
Telephone	31,594	31,099
Insurance	36,324	26,619
Staff training	13,081	21,330
Legal fees	25,126	13,950
Rent/storage fees	3,000	13,062
Dues and subscriptions	6,572	5,750
Postage	3,859	5,193
Bank fees	6,336	2,005
Repairs and maintenance	3,246	1,391
Miscellaneous	(47,200)	16,222
	<u>S 1,551,324</u>	<u>1,473,569</u>

Audited Financial Statements Prepared by KPMG, LLP

“Providing Opportunities... Accept the Challenge.”



BBEDC Annual Report 2008

Transparency Report

Director Compensation Policy BBEDC compensates its Directors who attend board and committee meetings with a meeting fee and travel/per diem. The fee for meetings lasting four hours or less is \$300. For meetings lasting more than four hours, the fee is \$500. No director receives more than \$500 in any one day. BBEDC Directors are appointed for three year terms and may be replaced in accordance with BBEDC By-Laws.

Related Party Transactions BBEDC reports any transactions over the amount of \$20,000 with any director or their family members. There were no such transactions in 2008.

Legal Proceedings Involving Directors BBEDC reports any pending litigation between itself and any Directors. There is no such litigation for 2008.

Auditor Relationship BBEDC has had no disagreements with their auditor, KPMG, LLP, during the past two years. In addition to audit services, KPMG, LLP also provides tax and tax consulting services to BBEDC.

Committees The BBEDC Board of Directors has the authority to create and dissolve committees and appoint persons to serve on committees. The Finance & Audit Committee is responsible for the budget, financial statement review, and monitoring the investment of funds as well as oversight of the annual audit and other issues governing corporate governance and disclosure. Current members include: Robert Heyano, Chair; Victor Seybert, Moses Kritz, Fred Angasan and Hattie Albecker. In 2008, members met on March 11, June 3, September 23, November 14, and November 18.

Compensation for the aggregate of 17 Directors for 2008		\$110,400.00
2008 Professional Fees		
Legal Fees		127,202.82
Lobbying		93,799.58
Consultants		38,737.59
Total Professional Fees:		\$ 259,739.99
Accounting Fees		\$ 103,574.00
Audit	57.6%	59,706.00
Tax Prep	36.8%	38,090.00
Consulting	5.6%	5,778.00
Top 5 Employee Compensation - 2008		
Name/Title		
Paul Peyton, Seafood Investment Officer Anchorage, AK		125,945.64
H. Robin Samuelsen Jr., President/CEO Dillingham, AK		91,102.73
2008 Bonus		15,000.00
		106,102.73
Helen Smeaton, Chief Operating Officer Dillingham, AK		81,048.13
Alice Ruby, Economic Development & Brokerage Coord. Dillingham, AK		71,572.44
Anne Vanderhoeven, Fisheries Quota Manager Anchorage, AK		66,231.66



BBEDC Board Members

Name	Title	Community
H. Robin Samuelsen, Jr.	President/CEO	Dillingham
Fred T. Angasan, Sr.	Vice President	South Naknek
Robert Heyano	Director/Treasurer	Ekuk
Hattie Albecker	Director/Secretary	Ugashik
Mark Angasan	Director	King Salmon
Fred Bartman	Director	Aleknagik
Lucy Goode	Director	Egegik
Sylvia Kazimirowicz	Director	Ekwok
Sergie Chukwak	Director	Levelock
Moses Toyukak, Sr.	Director	Manokotak
Gerda Kosbruk	Director	Port Heiden
Mary Ann K. Johnson	Director	Portage Creek
Moses Kritz	Director	Togiak
Fritz Sharp	Director	Twin Hills
Harry Wassily, Sr.	Director	Clarks Point
Victor Seybert	Director	Pilot Point
Steven Angasan	Director	Naknek



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Bristol Bay Economic Development Corporation

P. O. Box 1464, Dillingham, Alaska 99576 / www.bbedc.com

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BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION
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