



Wild, Natural & Sustainable®

December 30, 2016

The Honorable Pete Kelly
The Honorable Anna MacKinnon
Alaska State Senate
Senate Finance Co-Chair
Alaska State Capitol
Juneau, AK 99801

The Honorable Mark Neuman
The Honorable Steve Thompson
Alaska House of Representatives
House Finance Co-Chair
Alaska State Capitol
Juneau, AK 99801

Dear Senate and House Finance Co-Chairs:

The Alaska Seafood Marketing Institute (ASMI) Board discussed legislative intent language regarding reliance on unrestricted general funds at a board meeting in October 2016. ASMI has developed a three-pronged plan to reduce expenditures, pursue alternative funding sources, and consider increased revenue generated from the voluntary seafood marketing assessment. The ASMI board and agency staff are actively working to implement the plan and ensure that agency operations are continued with stable, predictable funding.

1. Reduced Spend Plan

In FY2016, the ASMI Board of Directors reduced ASMI's spend plan in order to preserve funds into FY2017. Without additional revenue and significant spending reductions, ASMI's current level of expenditures was not sustainable. In the table below, ASMI's spending plan has been reduced to show the dramatic change that will be required if current revenue trends continue. Through reduced spending plans and use of prior-year carryforward revenues, ASMI will gradually ramp down expenditures to a sustainable level.

It is imperative that ASMI protect and maintain federal USDA Market Access Program grant funding which is approximately \$4.5 million per year. This grant requires state match, which was previously provided through State of Alaska general funds (GF). With the elimination of GF, ASMI will need to take the following steps:

- a. Ensure that industry in-kind contribution is at least maintained each year.
- b. Provide a matching contribution with industry funds, rather than GF. As a result, additional budget cuts in outgoing years may disproportionately impact domestic marketing, public relations, communications, Responsible Fisheries Management (RFM), technical, and administrative budgets.

To be effective in national and international markets at this reduced budget level, ASMI's use of staff time, travel budget, and other marketing resources will need to be focused and efficient. Further, ASMI intends to increase partnerships with industry, food and travel trade, and retailers.

Proposed ASMI Spend Plan Reductions						
	Actuals FY2016	Planned FY2017	FY2018	FY2019	FY2020	FY2021
Prior Year Carryforward Revenue*	\$19,217.0	\$18,846.1	\$16,644.7	\$14,144.7	\$11,144.7	\$8,144.7

Annual Revenue

Federal Receipts**	\$4,164.6	\$4,338.6	\$4,500.0	\$4,500.0	\$4,500.0	\$4,500.0
General Fund Match	\$4,482.3	\$2,000.0	\$1,000.0	\$0.0	\$0.0	\$0.0
Unrestricted General Funds	\$429.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Statutory Designated Program Receipts (Industry Contributions)	\$9,681.8	\$8,500.0	\$9,000.0	\$9,500.0	\$9,500.0	\$9,500.0
Total Revenue	\$37,974.7	\$33,684.7	\$31,144.7	\$28,144.7	\$25,144.7	\$22,144.7

Potential Spend Plan	\$19,128.6	\$17,040	\$17,000	\$17,000	\$17,000	\$17,000
Ending Carryforward*	\$18,846.1	\$16,644.7	\$14,144.7	\$11,144.7	\$8,144.7	\$5,144.7

* Carryforward amounts for future years are estimates only. Actuals are only available for FY2016.

**Federal receipt are collected from a competitive grant program through the U.S. Department of Agriculture. FY2016 and FY2017 are included at known grant amounts; revenues and expenditures for future years are included at the full budget authorization.

While ASMI's proposed spend plan is lower than our budget authority, it is critical for ASMI to retain this authority to allow the ASMI Board the flexibility to react quickly to changing market conditions or disaster response. In the past, the ASMI Board has responded to natural disasters like Fukushima or market conditions like a drastic oversupply of pink salmon. These conditions have budget implications as targeted promotional campaigns were needed on short notice. Furthermore, ASMI needs to retain a higher spend authority in the event that industry contributions increase or additional grant funding is awarded (see Sections 2 and 3) to allow us the ability to spend that additional revenue.

2. Supplemental Funding Task Force

ASMI is proactively seeking additional funding sources and opportunities for collaboration. To date in FY2017, the following steps have already been taken:

- a. ASMI earned additional funding through the USDA Quality Samples Program to send samples to Indonesia as part of our market exploration and development in that region. (\$15,000)
- b. ASMI organized an in-bound mission of seven Brazilian buyers to Alaska and Seattle in August 2016. Funding for the mission was provided by the USDA Cochran Mission. (\$41,000)

- c. ASMI is collaborating with the Washington State Department of Agriculture on a trade mission to Korea for February 2017. Washington State Department of Agriculture is providing in-market support at a reduced cost and may provide some travel vouchers for Alaska seafood industry members to participate in the trade mission.
- d. ASMI conducted exploratory research into NOAA Fisheries' Saltonstall-Kennedy Grant Program. It was determined that ASMI projects were not a good fit at this time.
- e. In collaboration with the Alaska State Office of International Trade and the Division of Economic Development, ASMI International was awarded funding through the State Trade and Export Promotion (STEP) Program to fund an upcoming overseas tradeshow. (\$57,200)

ASMI will form a Supplemental Funding Task Force of staff, contractors and potentially industry to seek out additional funding sources for ASMI. This could include grant funding or exploring other industry resources.

3. Options to Increase Industry Revenue

According to AS 16.51.120 – 16.51.150, the voluntary industry assessment can be increased from its current level of .5% to .6%, which would raise approximately an additional \$1 million per year assuming FY2016 harvest levels. However, the producers can also vote to decrease or eliminate the voluntary industry assessment.

The ASMI Board of Directors will conduct a periodic assessment of industry's capability and willingness to exercise this option. In order to increase the assessment, the following steps must be taken:

- a. A majority of the ASMI Board or a petition from eligible processors who together produce at least 25% of the total value of seafood products produced in Alaska during a calendar year.
- b. The petition is presented to the Director of the State of Alaska Division of Elections; notice of an election must be within 60 days after the petition is determined to be valid.
- c. A change to the assessment must be approved by eligible processors who together produce at least 51% of the total value of seafood products produced in Alaska during a calendar year.
- d. Mechanics for such an election are outlined in ASMI Statutes 16.51.120 – 16.51.150.

Industry collections also fluctuate due to changes in the volume and harvest value of Alaska's seafood resources. ASMI's continued work to strengthen the existing market for Alaska seafood and to expand Alaska seafood's reach in to developing markets all aim to increase the harvest value, which will in turn increase industry revenue.

Thank you for your continued support of ASMI's mission and our work to grow the value of Alaska's seafood resources.

Sincerely,

A handwritten signature in blue ink that reads "Alexa Tonkovich". The signature is written in a cursive, flowing style.

Alexa Tonkovich
Executive Director

Attachment: AS 16.51.120 – 16.51.150