

# Shared Fisheries Taxes and ~~Coastal~~ Alaska Communities

Sustainable. Predictable. Affordable.



## Alaska Municipal League – Representing 165 Cities and Boroughs

Political subdivisions created by the State delegated with taxing authority to help fulfill State obligations

### Shared Fisheries Business Tax and Resource Landing Tax

- 50 municipalities affected by the loss of Shared Fisheries Business Tax, or 1/3 of all local governments in Alaska
- Every single Senate district affected, to varying degrees – a statewide issue
- Shared Fisheries Business Tax = **\$25,900,000**
- Shared Fisheries Resource Landing Tax = **\$6,300,000**



Savoonga  
Aleutians East Gustavus  
Valdez  
Point Mat-Su  
Kotzebue Kenai Peninsula Seward  
King Cove Adak Hoonah Hydaburg  
Houston Kodiak Unalaska Kenai  
Chignik Coffman Cove Larsen Bay Togiak  
Klawock False Pass Emmonak  
North Pole Ketchikan Sitka  
Saint Paul Homer Craig Akutan  
Yakutat Bristol Bay Sand Point  
Anchorage Atka Ketchikan Gateway  
Egegik Pilot Whittier Dillingham Pelican  
Kodiak Island Haines  
Kaltag Wrangell  
Cordova  
Soldotna Juneau Clark's Point  
Fairbanks North Star

Used by municipalities to:

- Operate/maintain ports and harbors
- Provide local contribution to education
- Support public safety and municipal-owned hospitals
- Maintain public works such as water, sewer, sanitation, solid waste
- Replace gaps in State capital investment
- Provide grants to local nonprofits and youth activities
- Offer quality of life programs – pools, libraries, parks
- Improve credit ratings



# Municipal Impact

# Hardest Hit - Total \$

Municipality	18FishBus	18FishLand	Fish total	Fishx2/taxrev
City of Dillingham	\$443,905		\$443,905	8.04%
City & Borough of Juneau	\$447,875		\$447,875	0.43%
City of Seward	\$456,144		\$456,144	6.61%
City of Valdez	\$512,449		\$512,449	1.16%
City of King Cove	\$564,174		\$564,174	33.04%
City of Saint Paul	\$623,979		\$623,979	30.62%
Kenai Peninsula Borough	\$860,097		\$860,097	0.85%
City of Kodiak	\$859,223	\$21,419	\$880,642	6.67%
City of Akutan	\$999,031		\$999,031	29.94%
City & Borough of Sitka	\$1,279,885		\$1,279,885	6.55%
City of Cordova	\$1,429,951		\$1,429,951	24.03%
Aleutians East Borough	\$1,887,896		\$1,887,896	38.13%
Kodiak Island Borough	\$1,742,302	\$177,159	\$1,919,461	10.39%
Bristol Bay Borough	\$3,820,480		\$3,820,480	57.79%
City of Unalaska	\$3,306,990	\$4,855,139	\$8,162,129	37.21%

# Municipal Impact

# Hardest Hit - % Tax Rev

Municipality	18FishBus	18FishLand	Fish total	Fishx2/taxrev
City of Atka	\$11,318		\$11,318	22.00%
City of Adak	\$34,131	\$161,256	\$195,387	23.16%
City of Emmonak	\$61,167		\$61,167	23.74%
City of Cordova	\$1,429,951		\$1,429,951	24.03%
City of Akutan	\$999,031		\$999,031	29.94%
City of Saint Paul	\$623,979		\$623,979	30.62%
City of King Cove	\$564,174		\$564,174	33.04%
City of Unalaska	\$3,306,990	\$4,855,139	\$8,162,129	37.21%
Aleutians East Borough	\$1,887,896		\$1,887,896	38.13%
City of False Pass	\$51,588		\$51,588	41.95%
Bristol Bay Borough	\$3,820,480		\$3,820,480	57.79%
City of Togiak	\$73,227	\$91,786	\$165,013	107.03%
City of Chignik	\$98,919		\$98,919	178.38%
City of Larsen Bay	\$155,056		\$155,056	303.81%

# Total Impact

- Top 37 = \$27,920,880
  - Representing 186,739 Alaskans, not including Anchorage = 25% of state
- Average impact = \$615,845
- Average fish tax impact as % of tax revenue = 29.82%

## Top 10 characteristics:

- Total population: 97,908                      100% PERS
- Total employees: 929                      7/Prop Tax                      6/Sales Tax
- Bond Debt: \$455,300,666 + \$131,489,219 School Bond Debt
- Combined contribute \$72,033,407 to school districts
- Hospitals: 3                      Police Powers: 6



# Total Impact

# By District

Senate	Total Fish
E	= \$546,938
F-N	= \$53,269
O	= \$1,442,426
P	= \$5,588,775
Q	= \$800,759
R	= \$2,600,153
S	= \$17,687,490
T	= \$61,167





- Taxes and or moorage fees increase
  - Seafood prices remain low or flat
  - Small vessels and business owners become unviable
  - Sell off of local, small vessels to larger fleets
  - Fleet consolidation benefits accrue to outside owners
- Maintenance and repair of ports and harbors diminished
  - State-transferred assets increasingly unable to serve seafood or tourist industry
- Additional taxes considered, where none exist
  - Duplicate industry taxing, and decreased economic growth



The combined reductions and cost-shifting will mean that the City of Kodiak anticipates:

- Potential staff reductions = 13 of 133
- Public Safety budget reduced by 8%
- Public Works budget reduced by 8%
- Harbor budget reduced by 1 FTE (lack of need for officers at AMHS Terminal and loss of revenue (\$ 50,000) at Pier I and II
- Quality of Life programs potentially eliminated include the Kodiak Public Library and Parks and Recreation programs.

Taxes would need to increase to offset these decisions. The City of Kodiak underwent a strenuous evaluation of sales tax during the FY2016-2018 fiscal years. The sales tax cap was increased at that time. Future adjustments to sales tax would include taxing internet sales, eliminating exemption programs, and compliance audits. Other adjustments to sales tax would come as cuts of City services to residents.



The City of Dillingham receives Shared Fisheries Business Tax of \$398,350 (FY19). Despite an almost 9 year effort, the Local Boundary Commission denied the City's efforts to expand our municipal boundaries in order to levy a local fisheries tax. Consequently, while we are a major commercial fishing community, we do not have the resources to make up the loss of the state shared fish tax revenue.

A reduction in state revenue will significantly impact our overall ability to continue to provide services. Response at our level could include:

- Staff reductions, as much as 25% of the workforce.
- Significant reduction in services in all or most of our departments/services.
- Tax increases – mil rate which impacts a small portion of residents, as well as sales tax would both need to be explored.

The tertiary impact will be a significant loss of jobs and a loss of residents as people will move to seek employment.

It is unknown at this time where funding will come from to replace lost shared revenues.



The combined reductions and cost-shifting will mean that the City of Kenai anticipates:

- Potential staff reductions = 6-7 fulltime positions.
- Public Safety budget reduced by TO BE Determined.
- Public Works budget reduced by TO BE Determined.

Quality of Life programs potentially eliminated include ski trails, outdoor ice skating, and possible reduction in park maintenance and beautification.

Taxes would need to increase by 0.63mills to offset these decisions



The combined reductions and cost-shifting will mean that the City of Atka anticipates:

- Potential staff reductions = 4.
- Public Safety budget reduced by 100%. Atka has a VPSO through the regional tribal entity but provides about \$6,000 in additional support from City funds.
- Public Works budget reduced by 40%
- The ability to comply with unfunded mandates related to utility operations will be severely hindered.
- The City will not be able to adequately maintain and operate public facilities or provide public services.

Job opportunities in Atka are limited at present. Low income residents cannot afford additional costs that would be necessary to cover increases in charges that would be needed to continue operation of public utilities and services.

- The tax base in Atka is severely limited. Even if the local population were to agree to tax themselves, this would not bring in enough to cover even the cost of implementing and managing tax collection



The combined reductions and cost-shifting will mean that the Petersburg Borough anticipates:

- Property Taxes would need to increase by 1.7 mills in service Area 1 to offset the elimination of the State school bond debt reimbursement.

The current property tax levy for Education of 4.35 mills would need to double to make up the lost funding from the State. Due to the Borough's tax cap of 10 this would not be possible as we are already at 9.25 for school and general services. This would mean drastic cuts to our school and local government, including:

- Quality of Life programs potentially eliminated including our community aquatic center, reduced hours to the library and to our Parks & Recreation Department.
- Loss of School Activities (sports, music, etc), and increase in classroom sizes.
- Reduction of staff Borough wide (Borough, School and Hospital).
- Major rate increase for Harbor moorage and its resulting impact on the economic engine of the Borough.



The combined reductions and cost-shifting will mean that the City of Saint Paul anticipates:

- Potential staff reductions of 3 to 4 full time positions with a reduced work week from 40 hours per week to 35 hour per week.
- Public Safety budget reduced by 7%.
- Public Works budget reduced by 19%.
- Travel and training budgets reduced by 90%.
- General fund capital improvement budget reduced by 100%.
- Local sales tax would need to increase by 90 to 95% to offset these decisions.
- An increase in utility (electric, water, sewer, and refuse) rates to cover the administrative costs for operation of these utilities.



Based on the proposed FY20 budget, we have highlighted below some of the impacts that this proposal will have on our residents.

- Our Community Assistance funding has been \$310,615.28 and is 10% of the budget
- Our current Local Contribution to education is the max amount allowed of \$503,849.
- Our residents depend on \$351,731.65 in PCE funding to afford high energy costs
- Our share of the Shared Fisheries Business Tax is \$218,773 and our share of the Fish Landing Tax is \$39,078
- The anticipated cuts to our school district are \$252,220
- Senior Services cuts are expected of \$100,000

We are concerned about the long-term sustainability of Community Assistance and PCE

The combined reductions and cost shifting will mean that the City & Borough of Yakutat anticipates:

- Potential staff reductions = 3 of 17 or 17% reduction in staff.
- Public Safety budget reduced by 20%
- Public Works budget reduced by 20%
- Taxes would need to increase by 300% to offset these decisions





Our share of the Shared Fisheries Business Tax in FY19 is \$2,341; these funds are invested directly into our fish dock to support our commercial fishing industry.

The combined reductions and cost shifting will mean that the City of Seldovia anticipates:

- Potential staff reductions= 2 FTEs; less workforce=less services
- Public Safety budget reduced by 13%
- Public Works budget reduced by 13%
- Reductions in Staffing would lead to potential deficiencies in health and welfare, including monitoring our water utility and preservation of our safe working environment.
- Important significant programs potentially eliminated include Seldovia Senior Meal Program, quality of life to Medicaid recipients, Parks and Recreation, and overall quality of life for Seldovians and visitors alike.



# Choices Combined

# Micro Implications

Compounded by:

Capital Project

Reimbursement =

**\$32,450,199 / FY20 =**

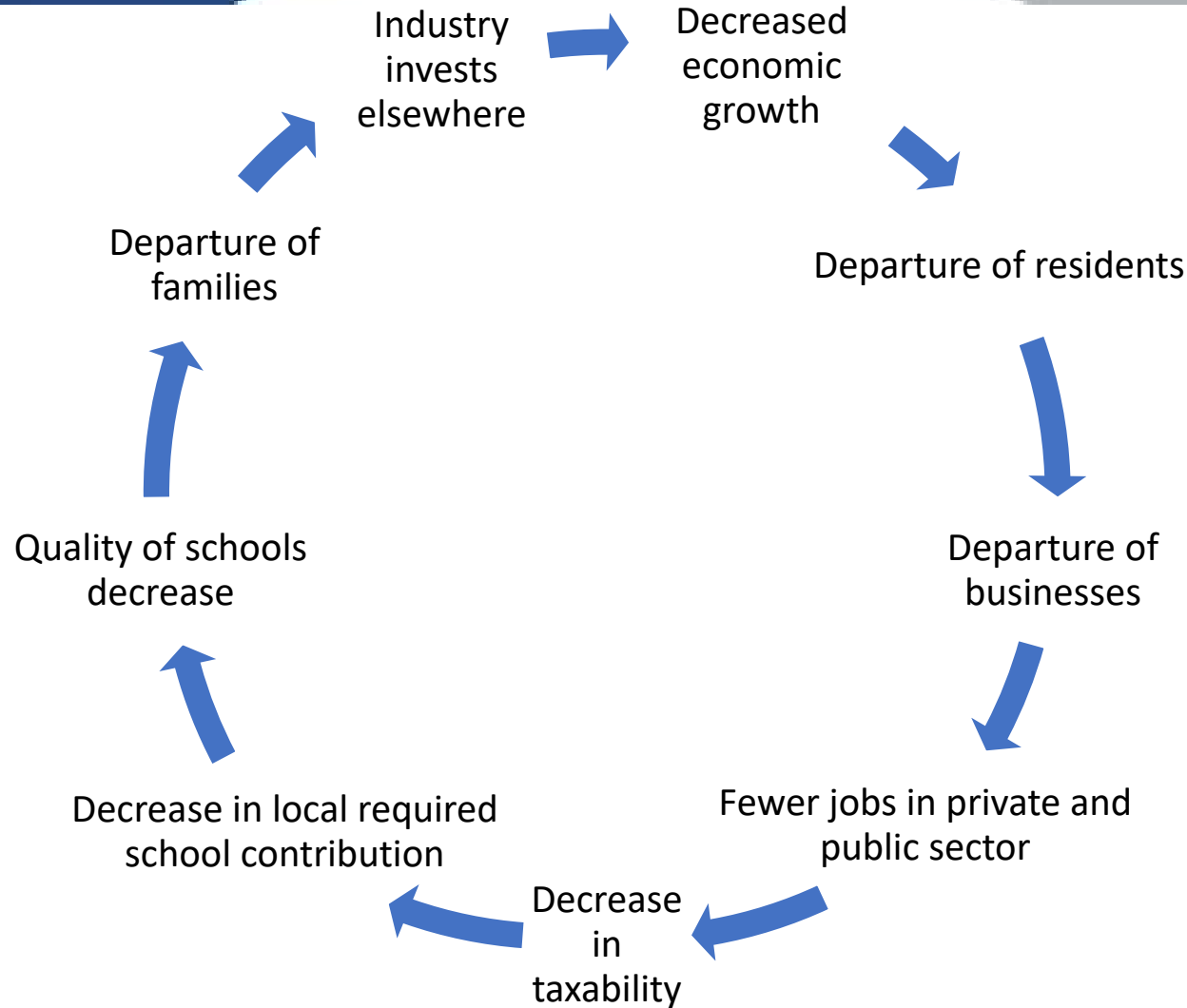
**\$2,003,484**

Harbor Matching

Grants = **\$7,500,000**

Alaska Marine Highway

System = **\$8,709,307**



## Outcomes of SB63?

Less sustainable communities  
Less predictable economies  
Less affordable services