

**Department of Fish and Game  
Budget Overview with UFA  
October 27, 2015**

**Department Attendees**

Sam Cotten, Commissioner  
Kevin Brooks, Deputy Commissioner  
Scott Kelley, Director of Commercial Fisheries  
Forrest Bowers, Deputy Director of Commercial Fisheries

**FY2017 Overview**

The department's mission is derived from the Alaska Constitution and Alaska statutes.

**Article 8 – Natural Resources**

**§ 4. Sustained Yield**

Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

**Title 16. FISH AND GAME**

Sec. 16.05.020. Functions of commissioner.

(2) manage, protect, maintain, improve, and extend the fish, game and aquatic plant resources of the state in the interest of the economy and general well-being of the state.

**Mission Statement**

To protect, maintain, and improve the fish, game, and aquatic plant resources of the state, and manage their uses and development in the best interest of the economy and the well-being of the people of the state, consistent with the sustained yield principle.

What is the Department of Fish and Game about?

- 1) We manage for sustained yield (Article 8 Alaska Constitution)—ensure fish and wildlife resources will be available for future generations.
  - a. Escapement goals
  - b. Calf survival
  - c. Habitat protection
- 2) Provide Harvest Opportunity (AS 16.05.020)
  - a. Identify harvestable surplus for hunters, anglers, commercial fishermen
  - b. Measure through indicators such as ex-vessel value, licenses sold (participation)
- 3) Involve the public
  - a. Boards and Advisory Committees
  - b. Education and information outreach

The department is organized into six divisions, two independent agencies, as well as a support section to the Board of Fisheries and the Board of Game.

- Division of Commercial Fisheries
- Division of Sport Fish
- Division of Wildlife Conservation
- Division of Habitat
- Division of Subsistence
- Division of Administrative Services
- Boards Support Section
- Office of the Commissioner
- Exxon Valdez Oil Spill Trustee Council
- Commercial Fisheries Limited Entry Commission (CFEC)

The FY 2016 operating budget for the department totals \$208,455.0 and is comprised of the following fund sources.

• Unrestricted General Funds	65,095.4
• Designated General Funds	12,822.4
• Federal Funds	67,063.8
• Fish and Game Funds	24,287.7
• Other Funds	39,185.7

The three large management divisions (Commercial Fisheries, Sport Fish and Wildlife Conservation) comprise over 80% of the department's budget. More importantly, Commercial Fisheries accounts for over 60% of the department's unrestricted general funds (UGF). As a result, UGF reductions will have the biggest impact on Commercial Fisheries. UGF allocations by division are shown below.

• Commercial Fisheries	39,927.2
• Sport Fish	5,792.5
• Wildlife Conservation	5,528.3
• Habitat	3,752.0
• Subsistence	2,748.9
• Administrative Services	2,655.2
• Boards Support	1,389.1
• Commissioner's Office	772.2
• Facilities Rent (Shared-all divisions)	2,530.0

- Three large management divisions
- Three smaller divisions
- Division of Commercial Fisheries accounts for \$40 million out of \$65 million UGF
- Sport Fish and Wildlife Conservation account for ~\$11 million UGF combined
  - About \$48 million total funds each
  - Just under \$6 million UGF each

## FY 2017 – FY 2018 Targets & Service Levels

FY 2016	\$14,757.0 UGF	18% cut
FY 2017 proposed	\$6,509.5 UGF	10% cut
FY 2018 proposed	\$1,757.6 UGF	3% cut

### Impact on Alaskans

- 1) We cut enumeration projects—sonars, weirs, towers, aerial surveys, etc.
- 2) Less precise data leads to more conservative management regimes
- 3) Err on the side of fish and wildlife and sustained yield
- 4) Less opportunity to harvest for all users of resources
- 5) Slower permitting times and compromised protection of habitat important for fish and wildlife
- 6) Less frequent updates of subsistence harvest information necessary for board determinations

### Administrative Efficiencies

- 1) Consolidate administrative functions across divisions
  - a. Small divisions underway
  - b. Larger divisions next
- 2) Reorganization of CFEC
  - a. HB 112 Rep. Stutes
  - b. Legislative Audit just released



## Existing Fish Tax Statutes

### **AS 43.75.015 Fisheries Business Tax**

(a) A person engaged in a fisheries business is liable for and shall pay the tax levied by this section on the value of each of the following fisheries resources processed during the year at the rate set out after each:

(1) salmon canned at a shore-based fisheries business - four and one-half percent;

(2) salmon processed by a shore-based fisheries business, except salmon for which the tax is due under (1) of this subsection, and all other fisheries resources processed by a shore-based fisheries business - three percent;

(3) fisheries resources processed by a floating fisheries business - five percent.

(b) Instead of the taxes levied by (a) of this section, a person who processes a developing commercial fish species is liable for and shall pay a tax equal to

(1) one percent of the value of the developing commercial fish species processed by a shore-based fisheries business during the year; and

(2) three percent of the value of the developing commercial fish species processed by a floating fisheries business during the year.

(c) A person engaging or attempting to engage in a fisheries business who first actually and physically processes the fishery resource, or a person who purchases a fishery resource that is processed from a person excluded by [AS 43.75.017](#) from liability for the tax, is liable for and shall pay to the department the entire tax imposed by this section. In determining this tax liability, the person may deduct from the value of the fishery resources processed the value of fishery resources that are canned or processed for other fisheries businesses. A person taking the deduction authorized by this subsection shall report all information relating to the deduction in accordance with regulations adopted by the department.

(d) Instead of the taxes levied under (a) or (b) of this section, a person who processes a fishery resource under a direct marketing fisheries business license is liable for and shall pay a tax equal to

(1) one percent of the value of the developing commercial fish species processed during the year; and

(2) three percent of the value of a commercial fish species not subject to (1) of this subsection.

(e) For purposes of determining the value of a fishery resource on which a tax is levied under this section, the department may establish a presumption of market value for a fishery resource in a region or market area based on a volume weighted average of market values for the fishery resource reported on returns filed under this chapter by fisheries businesses operating in the region or market area. A taxpayer who appeals an assessment of taxes based on a presumption of market value determined by the department under this subsection may rebut the presumption with substantial evidence of

(1) the prevailing price paid to fishermen for the fishery resource of the same kind and quality by fisheries businesses in the same region or market area where the fishery resource was taken, if the taxpayer holds a direct marketing fisheries business license under [AS 43.75.020\(c\)](#) and the fishery resource on which the tax is levied is processed under that license; or

(2) the true market value of the fishery resources if the taking of the fishery resource is done in a company-owned or company-subsidized boat operated by employees of a fisheries business, a subsidiary of the fisheries business, or a parent company of the fisheries business.

### **AS 43.77.010 Fisheries Landing Tax**

A person who engages or attempts to engage in a floating fisheries business in the state and who owns a fishery resource that is not subject to [AS 43.75](#) but that is brought into the jurisdiction of, and first landed in, this state is liable for and shall pay a landing tax on the value of the fishery resource. The amount of the landing tax is

(1) for a developing commercial fish species, as defined under [AS 43.75.290](#), one percent of the value of the fishery resource at the place of landing;

(2) for a fish species other than a developing commercial fish species, three percent of the value of the fishery resource at the place of the landing.

### **Other Revenue Issues**

Tax Revenue is deposited into the General Fund as unrestricted revenue available for appropriation by the Legislature for any government expenditure.

The attached table provides fish tax data by rate for tax years 2014, 2013 and 2012.

The total tax includes amounts shared with municipalities.

**Approximately \$19.3 million could be generated by each additional 1% of tax on established fisheries.**

The amount of tax generated is dependent on price and volume of fish.

### **Questions we have heard:**

- 1) Should tax revenue cover the total cost of commercial fisheries management?
- 2) Should tax revenue cover other related costs such as enforcement, prosecution, courts, tax collection, ADF&G management, etc.?
- 3) Should tax revenue contribute to the general fund beyond #1 and 2 (above) to help cover the cost of government in general?
- 4) Is there any way to designate taxes on the commercial fishing industry for commercial fisheries management?
- 5) If there is additional fisheries tax revenue, should it be shared with municipalities?

### **Other Potential Sources of Revenue**

- 1) HB 137 has passed the House and is sitting in Senate Resources. It proposes to raise fees on sport fishing, hunting and trapping licenses.
- 2) Fees for crew member licenses could be reviewed.
- 3) The current cap of \$3,000 on limited entry permits could be raised. CFEC has done some analysis on this. A resulting new fee structure could generate up to \$2.2 million annually in additional revenue, primarily from three fisheries.
- 4) Fisheries Landing Tax—Comm Fish staff is working with Treasury Division staff to examine the value of fish harvested off Alaska, and how the reported prices might affect revenues collected from the landing tax.



## Fish Taxes in other States

The Department of Revenue did some analysis on tax rates in other states. These are the only taxes specifically targeting fish that were found, but it is possible others exist.

### Washington

The Washington state Department of Revenue levies a tax called the “enhanced food fish tax”. It taxes the first commercial possessor of the fish within the state and is measured as a percentage of the value of the fish when first landed.<sup>1</sup>

Washington enhanced food fish tax rates are:

• Chinook, coho, and chum salmon or eggs	5.62%
• Humpback and sockeye salmon or eggs	3.37%
• Sea urchins and sea cucumbers	2.25%
• Shellfish and other food fish or eggs	2.25%
• Oysters	0.09%

### California

The California Department of Fish and Wildlife levies a landing tax on fish receivers, wholesalers, and processors, and on commercial fishermen who sell fish to someone who is not a licensed fish receiver.<sup>2</sup> This tax is a constant amount per pound for each species. The per-pound rates are:

- 5 cents for salmon, based only on weight in the round
- 1.25 cents for:
  - Mollusks and crustaceans, except squid and crab (including abalone and lobster)
  - Halibut
  - Swordfish, based only on weight in the round
  - Herring
  - Barracuda
  - Flying fish
  - Frogs
  - Giant sea bass
  - White sea bass
  - Saltwater worms
  - Yellowtail
- 1.13 cents for:
  - Angel, thresher, and bonito sharks, based only on weight in the round
- 0.63 cents for sardines

<sup>1</sup> [http://dor.wa.gov/content/FindTaxesAndRates/OtherTaxes/tax\\_enhancefish.aspx](http://dor.wa.gov/content/FindTaxesAndRates/OtherTaxes/tax_enhancefish.aspx)

<sup>2</sup> <http://law.justia.com/codes/california/2014/code-fgc/division-6/part-3/chapter-1/article-7.5/>

- 0.13 cents for:
  - Mackerel
  - Sea urchin
  - Anchovies
  - All other fish not specified

## Louisiana

The Louisiana Department of Wildlife and Fisheries levies an excise tax on all saltwater shrimp harvested from state waters and all shrimp imported into the state. It taxes the first wholesale or retail dealer who receives the shrimp. For imported shrimp brought to cold storage, the taxpayer is the dealer storing, brokering, or distributing the shrimp.<sup>3</sup>

Louisiana shrimp excise tax rates are:

- |                             |                         |
|-----------------------------|-------------------------|
| • Head-on, unpeeled shrimp  | 15 cents per 210 pounds |
| • Headless, unpeeled shrimp | 15 cents per 125 pounds |
| • Headless, peeled shrimp   | 15 cents per 75 pounds  |

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<sup>3</sup> <http://www.wlf.louisiana.gov/fishing/shrimp-excise-tax>



**Fish tax data by rate, 2014 tax year**

<u>Tax</u>	<u>Total pounds</u>	<u>Total value</u>	<u>Total tax</u>
Total at 1% rate	4,877,802	\$ 1,495,135	\$ 14,951
Total at 3% rate	5,080,003,092	\$ 1,634,898,978	\$ 49,046,969
Total at 4.5% rate	164,913,261	\$ 125,292,220	\$ 5,638,150
Total at 5% rate	253,594,261	\$ 90,264,481	\$ 4,513,224
Total developing fisheries	5,032,117	\$ 1,540,893	\$ 16,324
Total established fisheries	5,498,356,299	\$ 1,850,409,921	\$ 59,196,971

**Fish tax data by rate, 2013 tax year**

<u>Tax</u>		<u>Total value</u>	<u>Total tax</u>
Total at 1% rate	167,995,973	\$ 20,616,888	\$ 206,169
Total at 3% rate	4,664,970,873	\$ 1,589,574,673	\$ 47,687,240
Total at 4.5% rate	386,367,387	\$ 236,981,613	\$ 10,664,173
Total at 5% rate	307,998,228	\$ 130,889,515	\$ 6,544,476
Total developing fisheries	168,551,700	\$ 20,633,581	\$ 206,670
Total established fisheries	5,358,780,761	\$ 1,957,429,108	\$ 64,895,388

**Fish tax data by rate, 2012 tax year**

Total at 1% rate	179,984,531	\$ 22,626,116	\$ 226,261
Total at 3% rate	4,401,482,035	\$ 1,690,684,271	\$ 50,720,528
Total at 4.5% rate	219,874,245	\$ 167,124,013	\$ 7,520,581
Total at 5% rate	255,499,971	\$ 121,271,496	\$ 6,063,575
Total developing fisheries	180,611,785	\$ 22,642,641	\$ 226,757
Total established fisheries	4,876,228,997	\$ 1,979,063,255	\$ 64,304,188

\*Note: "total tax" includes amount shared with municipalities



Department of Fish and Game  
 Commercial Fisheries FY2016 RDU Detail  
 September 23, 2015

Description	Amount
Personal Services	48,922.7
Travel	1,265.1
Services	13,519.2
Commodities	3,879.2
Capital	442.9
<b>Total</b>	<b>68,029.1</b>

Funding	Amount
1002 Federal	9,444.8
1003 GF Match	466.2
1004 General Fund	39,461.0
1005 GFPR	1,937.9
1007 I/A	1,292.5
1018 EVOS	196.4
1024 F&GF	201.6
1061 CIP	3,585.0
1108 SDPR	4,901.4
1109 Test Fish	3,042.3
1201 CFEC	3,500.0
<b>Total</b>	<b>68,029.1</b>

Unrestricted GF	39,927.2
Designated GF	8,480.2
Other	10,176.9
Federal	9,444.8
<b>Total</b>	<b>68,029.1</b>

Positions	Amount
Permanent F/T	304
Permanent P/T	432
Non Permanent	0
<b>Total</b>	<b>736</b>



State of Alaska  
Fishery Taxes  
Revenue Collections by Tax Type

Tax Type	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>Fisheries Business Tax</b>	32,487,173	35,589,331	34,992,328	42,235,590	31,945,400	44,462,246	53,097,514	45,054,419	51,552,226
(after credits)									
Less: Fisheries Business Tax Shared	17,136,243	17,609,837	20,189,034	22,940,136	17,942,122	24,370,389	26,652,010	25,063,569	26,493,626
<b>Net Amount Retained by State</b>	<b>15,350,930</b>	<b>17,979,494</b>	<b>14,803,294</b>	<b>19,295,454</b>	<b>14,003,278</b>	<b>20,091,857</b>	<b>26,445,504</b>	<b>19,990,850</b>	<b>25,058,600</b>
Annual Percent Increase/Decrease	<u>14.6%</u>	<u>-21.5%</u>	<u>23.3%</u>	<u>-37.8%</u>	<u>30.3%</u>	<u>24.0%</u>	<u>-32.3%</u>	<u>20.2%</u>	
<b>Fisheries Resource Landing Tax</b>	10,478,888	11,011,954	13,661,758	10,962,929	12,552,075	7,083,988	12,013,308	13,381,669	12,583,645
(after credits)									
Less: Fisheries Resource Landing Tax Shared	5,743,310	5,493,296	6,389,383	6,297,532	4,294,924	4,429,447	5,686,196	7,842,880	5,450,826
<b>Net Amount Retained by State</b>	<b>4,735,578</b>	<b>5,518,658</b>	<b>7,272,375</b>	<b>4,665,397</b>	<b>8,257,151</b>	<b>2,654,541</b>	<b>6,327,112</b>	<b>5,538,789</b>	<b>7,132,819</b>
Annual Percent Increase/Decrease	<u>14.2%</u>	<u>24.1%</u>	<u>-55.9%</u>	<u>43.5%</u>	<u>-211.1%</u>	<u>58.0%</u>	<u>-14.2%</u>	<u>22.3%</u>	
<b>Seafood Marketing Assessment</b>	6,357,576	7,680,949	8,713,682	8,874,778	7,812,697	8,622,211	9,710,180	9,563,546	10,233,058
Annual Percent Increase/Decrease	<u>17.2%</u>	<u>11.9%</u>	<u>1.8%</u>	<u>-13.6%</u>	<u>9.4%</u>	<u>11.2%</u>	<u>-1.5%</u>	<u>6.5%</u>	
<b>Salmon Enhancement Tax</b>	4,379,249	4,356,969	5,484,160	5,842,890	4,877,106	7,851,054	10,060,538	8,454,033	12,779,417
Annual Percent Increase/Decrease	<u>-0.5%</u>	<u>20.6%</u>	<u>6.1%</u>	<u>-19.8%</u>	<u>37.9%</u>	<u>22.0%</u>	<u>-19.0%</u>	<u>33.8%</u>	
<b>Seafood Development Tax</b>	152,465	1,266,303	1,370,170	1,385,482	1,578,861	2,143,116	1,915,156	611,273	1,886,066
Annual Percent Increase/Decrease	<u>88.0%</u>	<u>7.6%</u>	<u>1.1%</u>	<u>12.2%</u>	<u>26.3%</u>	<u>-11.9%</u>	<u>-213.3%</u>	<u>67.6%</u>	
<b>Dive Fishery Assessment</b>	246	426,006	373,120	391,183	523,024	603,219	682,534	772,526	539,638
Annual Percent Increase/Decrease	<u>99.9%</u>	<u>-14.2%</u>	<u>4.6%</u>	<u>25.2%</u>	<u>13.3%</u>	<u>11.6%</u>	<u>11.6%</u>	<u>-43.2%</u>	

Source of Information: Alaska Tax Division Annual Reports for Fiscal Year



<b>Department of Fish and Game</b>	
<b>Division of Commercial Fisheries</b>	
<b>FY2016 Summary of Operating Budget Cuts</b>	
<b>As of November 22, 2015</b>	
	<b>Project</b>
<b>Component / Project</b>	<b>Total</b>
Southeast / Demersal Shelf Rockfish Surveys	260.0
Southeast / Chatham/Icy Straight Sockeye Genetic Stock Assessment FY13 - FY16 (SP-691)	76.5
Southeast / Component of Chilkoot Weir (FM-137X)	8.0
Southeast / Chilkat Lake Didson (FM-163)	75.0
Southeast / Redoubt Lake Weir (SP-455)	20.0
Southeast / Port Sampling (FM-192)	20.0
Southeast / Administrative Support (FM-100)	75.2
Southeast / SE RG Herring Studies (FD-962)	61.5
Southeast / GF Ketchikan Herring Management (FM-171)	55.7
Southeast / GF Petersburg Herring Management (FM-172)	58.3
Southeast / GF Juneau Herring Management (FM-174)	71.5
Southeast / McDonald Lake Sockeye (FM-142)	65.0
Southeast / Red King Crab Research (FM-195)	50.0
Southeast / Salmon Aerial Surveys	36.0
Southeast / Unallocated GF Payroll Cut	140.1
<b>Southeast Subtotal</b>	<b>1,072.8</b>
Central / Mixed Stock Sampling GSI FY14 - FY18 (FM-20367)	88.5
Central / Susitna River Sonar (FM-20355)	42.4
Central / Upper Cook Inlet Limnology Match (FM-20364)	45.5
Central / Lower Cook Inlet Herring Fisheries Monitoring (FM-20448)	25.2
Central / Prince William Sound Herring Catch Sampling (FM-20436)	32.1
Central / Lower Cook Inlet Sampling (FM-20446)	22.1
Central / Habitat Mapping - ROV & Acoustics (FM-20468)	90.5
Central / Prince William Sound Herring Aerial Surveys (FM-20435)	16.6
Central / Nushagak River Sonar Extension (FM-20418)	70.6
Central / Prince William Sound Large Mesh Trawl Survey (FM-20464)	46.6
Central / Togiak Herring Management (FM-20455)	12.7
Central / Togiak Aerial Surveys <sup>1</sup> - herring (FM-20456)	16.1
Central / Catch Sampling <sup>1</sup> - herring (FM-20457)	23.0
Central / TOGIK TOWER (FM-20416)	58.0
Central / PWS RESEARCH SALARY (SHARE ONE FBII BETWEEN MANG/RESEARCH) (FM-28335)	110.0
Central / Groundfish Monitoring PFT (FM-28465X)	7.0
Central / Groundfish / Shellfish Assessment PFT (FM-28467)	43.0
Central / Assistant Area Manager (FM-28409X)	57.0
Central / Coghill River Weir (FM-20333)	41.3
Central / Igushik Tower (FM-20415)	46.3
Central / Unallocated GF Payroll Cut	136.0
<b>Central Subtotal</b>	<b>1,030.5</b>

<b>Department of Fish and Game</b>	
<b>Division of Commercial Fisheries</b>	
<b>FY2016 Summary of Operating Budget Cuts</b>	
AYK / Component of Salmon Enhancement Study FY14 - FY17 (FM-30505)	200.0
AYK / Norton Sound Enhancement - Nome Subdistrict (FM-30595)	100.0
AYK / Norton Sound Enhancement - Niukluk River (FM-30596)	150.0
AYK / Norton Sound Enhancement - South River (FM-30593)	190.0
AYK / Norton Sound Herring Monitoring (FM-30622)	21.6
AYK / Tanana River Sonar Partial Cut (FM-30559)	150.0
AYK / Unallocated GF Payroll Cut	121.6
<b>AYK Subtotal</b>	<b>933.2</b>
Westward / Genetics Work on Chinook Salmon FY14 - FY16 (SP-2311)	111.5
Westward / Frasier Smolt (FM-723)	20.8
Westward / Karluk Smolt (FM-724)	30.0
Westward / Salmon Assessment Project (FM-706)	30.0
Westward / Survey (FM-8758)	9.7
Westward / Marine Fishery Support (FM-775)	2.3
Westward / Computer Support (FM-703)	4.0
Westward / Bering Sea Observer (FM-756)	4.5
Westward / Kodiak Herring Management Support (FM-751)	51.1
Westward / R/V K-HI-C SALARY (FM-8796)	146.0
Westward / R/V K-HI-C SUPPORT (FM-796)	32.9
Westward / Westward Regional Maintenance (FM-702)	61.1
Westward / Small-Mesh Trawl Survey PFT (FM-8758)	9.7
Westward / Large & Small Mesh Trawl Survey (FM-758)	160.4
Westward / Westward Region Supervision (FM-700)	50.0
Westward / Salmon Assessment Projects (FM-706)	50.0
Westward / Karluk Smolt (FM-724)	40.3
Westward / Unallocated GF Payroll Cut	131.2
<b>Westward Subtotal</b>	<b>945.5</b>
Statewide / Genetics Work on the Susitna River Drainage	250.0
Statewide / Mixed Stock Sampling GSI FY14 - FY18 (FM-60963)	184.5
Statewide / Genetics Work on Chinook Salmon in Westward FY14 - FY16)	122.5
Statewide / Chatham/Icy Straight Sockeye Genetic Stock Assessment FY13 - FY16	223.5
Statewide / Headquarters Administrative Costs (FM-913)	153.2
Statewide / Misc Mark, Tag, Age Lab	40.0
Statewide / Misc Gene Conservation Lab	242.0
Statewide / MTA Lab Delete GF for Research Analyst	85.0
Statewide / Marine Fisheries Delete GF for FSI charge to Fed Funding for BIOM II in Reg 4	117.7
Statewide / Western Steller Sea Lion Interaction with Commercial Fishing Research (FM-909)	394.1
Statewide / Commercial Fishing Enforcement Training Contract (FM-909)	25.0
Statewide / Unallocated GF Payroll Cut	294.4
<b>Statewide Subtotal</b>	<b>2,131.9</b>



<b>Department of Fish and Game</b>	
<b>Division of Commercial Fisheries</b>	
<b>FY2016 Summary of Operating Budget Cuts</b>	
Division Total	6,113.9
<b>PCN's to delete</b>	
Extended Jurisdiction Program Manager 11-1094	
Fish & Wildlife Technician II 11-1958	
Research Analyst II 11-1716	
Assistant Director Dept of Fish & Game 11-1104	
Fish & Wildlife Technician III 11-5039	