




CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Melissa Haley, Finance Director

Date: January 3, 2024

Subject: **Approval of Alternative Method of Allocation of Shared Fisheries Business Taxes**

Background

Alaska levies a fisheries business tax (also known as the “raw fish tax”) on fisheries businesses that process fishery resources in, or export unprocessed fish from Alaska. The tax is based on the price paid to fishermen for the raw resource, or fair market value when there is no transaction prior to processing or export. The State of Alaska collects fisheries business taxes from processors and persons who export unprocessed fishery resources from Alaska. Of what is collected, 50% is distributed to the city or borough in which the fish processing or export took place. While the majority of tax collected is from fish processed within a city or borough, some fish processing takes place outside of a city or borough. In this case 50% of tax that is shared is allocated between the municipalities within specific fisheries management areas (FMA). There are two possible allocation methods between the municipalities in a given FMA—standard or alternative. Historically, Sitka and all other municipalities in FMA 18 (Central Southeast Area) have elected the alternative method. The differences are as follow:

The standard method requires a municipality to determine and document the cost to the municipality of fisheries industry “significant effects” suffered in the previous year. “Significant effects” is defined as municipal expenditures demonstrated by the Municipality to the Department of Revenue to be reasonable and necessary that are the result of fisheries business activities of the municipality. Every expenditure determined to be necessary as the result of fisheries business activities must be submitted and evaluated for validity.

The alternative method allows all municipalities within a fisheries management area to work together to develop an alternative formula for distributing the available funding

among municipalities in the fisheries management area.

Both methods require that 50% of the amount allocated to an FMA be allocated evenly between all of the municipalities within an FMA, so the allocation method impacts only the 50% not evenly allocated.

Analysis

All municipalities in FMA-18 must agree (and have historically agreed to) this method of allocating raw fish taxes collected outside of municipal boundaries. The standard method is more time intensive and unlikely to result in higher allocations to Sitka. As the alternative method allocates 50% of the tax on a per capital basis, this benefits Sitka, as it has the highest population of all included communities (Petersburgh, Wrangell, Kake, and 4 other very small communities).

Fiscal Note

Historically this funding is a very small portion of total raw fish tax. This year the total FMA 18 allocation is \$39,620.88 based on CY2022 taxes collected (last year the allocation was 75,658) . The total allocation to Sitka under the alternative method would be \$13,401.46, or 34% of the total allocated to FMA 18. The prior year allocation was \$25,871.

Recommendation

Approve the accompanying resolution adopting an alternative method for distributing the available shared business fisheries taxes from processing activities outside an incorporated city or an organized borough.

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2024-02

A RESOLUTION OF THE CITY AND BOROUGH OF SITKA ADOPTING AN ALTERNATIVE ALLOCATION METHOD FOR THE FY24 SHARED FISHERIES BUSINESS TAX PROGRAM AND CERTIFYING THAT THIS ALLOCATION METHOD FAIRLY REPRESENTS THE DISTRIBUTION OF SIGNIFICANT EFFECTS OF FISHERIES BUSINESS ACTIVITY IN FMA 18: CENTRAL SOUTHEAST AREA

WHEREAS, AS29.60.450 requires that for a municipality to participate in the FY24 Shared Fisheries Business Tax Program, the municipality must demonstrate to the Department of Commerce, Community, and Economic Development that the municipality suffered significant effects during calendar year 2022 from fisheries business activities; and,

WHEREAS, 3 AAC 134.060 provides for the allocation of available program funding to eligible municipalities located within fisheries management areas specified by the Department of Commerce, Community, and Economic Development; and,

WHEREAS, 3 AAC 134.070 provides for the use, at the discretion of the Department of Commerce, Community, and Economic Development, of alternative allocation methods which may be used within fisheries management areas if all eligible municipalities within the area agree to use the method, and the method incorporates some measure of the relative significant effect of fisheries business activity on the respective municipalities in the area; and,

WHEREAS, The City and Borough of Sitka Assembly proposes to use an alternative allocation method for allocation of FY24 funding available within the FMA 18: CENTRAL SOUTHEAST AREA in agreement with all other municipalities in this area participating in the FY24 Shared Fisheries Business Tax Program.

NOW THEREFORE BE IT RESOLVED THAT: The City and Borough of Sitka Assembly by this resolution certifies that the following alternative allocation method fairly represents the distribution of significant effects during 2022 of fisheries business activity in FMA 18: CENTRAL SOUTHEAST AREA:

All municipalities share equally 50% of allocation; all municipalities share remaining 50% on a per capita basis.

PASSED, APPROVED AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on the 9th day of January, 2024.

Kevin Mosher, Deputy Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st and final reading: 1/9/24

Sponsor: Administrator