

CITY OF UNALASKA  
UNALASKA, ALASKA

RESOLUTION 2017-03

**A RESOLUTION OF THE UNALASKA CITY COUNCIL ADOPTING AN ALTERNATIVE ALLOCATION METHOD FOR THE FY17 SHARED FISHERIES BUSINESS TAX PROGRAM AND CERTIFYING THAT THIS ALLOCATION METHOD FAIRLY REPRESENTS THE DISTRIBUTION OF SIGNIFICANT EFFECTS OF FISHERIES BUSINESS ACTIVITY IN THE ALEUTIAN ISLANDS FISHERIES MANAGEMENT AREA.**

WHEREAS, AS 29.60.450 requires that for a municipality to participate in the FY17 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 2014 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 Unalaska City Council proposes to use an alternative allocation method for allocation of FY17 funding available within the Aleutian Islands Fisheries Management Area in agreement with all other municipalities in this area participating in the FY17 Shared Fisheries Business Tax Program;

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council by this resolution certifies that the following alternative allocation method fairly represents the distribution of significant effects during 2014 of fisheries business activity in the municipalities within the Fisheries Management Area 2 ALEUTIAN ISLANDS:

1. All municipalities share equally 60% of the allocation;
2. All but Aleutians East Borough share remaining 40% on a per capita basis.

BE IT FURTHER RESOLVED that the Unalaska City Council urges the Department of Community & Economic Development to accept the proposed allocation method as a measure of the relative effects of the fishing industry on the respective municipalities.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE UNALASKA CITY COUNCIL THIS 24<sup>th</sup> DAY OF JANUARY, 2017.

  
MAYOR

ATTEST:

  
CITY CLERK

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## MEMORANDUM TO COUNCIL

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**TO:** MAYOR AND CITY COUNCIL MEMBERS

**THROUGH:** DAVID MARTINSON, CITY MANAGER

**FROM:** CAT HAZEN, CITY CLERK

**DATE:** JANUARY 24, 2017

**RE:** RESOLUTION 2017-03: ADOPTING AN ALTERNATIVE ALLOCATION METHOD FOR THE FY17 SHARED FISHERIES BUSINESS TAX PROGRAM AND CERTIFYING THAT THIS ALLOCATION METHOD FAIRLY REPRESENTS THE DISTRIBUTION OF SIGNIFICANT EFFECTS OF FISHERIES BUSINESS ACTIVITY IN THE ALEUTIAN ISLANDS FISHERIES MANAGEMENT AREA

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**SUMMARY:** The purpose of this tax program is to provide for a sharing of State fish tax collected outside municipal boundaries with municipalities that have been affected by fishing industry activities. This resolution is being submitted to Council with the assumption that the Alternate Method of distribution will be adopted as it has been for more than 20 years. Adak, Atka, Akutan, and the Aleutians East Borough, all of which are included in this management area, have agreed to the Alternate Method and are addressing or have addressed the same resolution.

**PREVIOUS COUNCIL ACTION:** Council has adopted the alternative allocation formula as outlined in Resolution 2017-03 for the last 23 years.

**BACKGROUND:** This program was created to recognize that there were municipalities that were affected by fishing activity outside their municipal boundaries, but that were not receiving a share of the State fish tax collected from these activities.

The Shared Fisheries Tax became law (AS 29.60.450) in 1962 with qualified municipalities sharing approximately 10% of the monies. The law evolved from a series of congressional and territorial legislation that originally taxed canned salmon receipts and later other fisheries for the purpose of funding fisheries-related activities in pre-territorial Alaska. Since becoming law, the amount of fisheries business tax shared with qualified municipalities has increased only twice, once in 1979 to 20% and in 1981 to the present 50% share.

**DISCUSSION:** The Shared Fisheries Tax Program provides two methods for applying for this funding. The first method is the Standard Method, which is very complicated and requires a great deal of coordinated effort among the affected communities. The second

is the Alternate Method through which all municipalities within a management area agree to a formula for distribution of funds. This method is less complex and agreeable to all affected communities in the management area.

Atka, Adak, Akutan, and the Aleutians East Borough, all of which participate in this program with Unalaska, have been contacted for confirmation that they agree on the use of the Alternate Method and that they agree with the formula.

The attached spreadsheet was created using figures from the Alaska Department of Commerce, Community and Economic Development's formula and certified population figures from 2014.

**ALTERNATIVES:** Council could choose not to adopt the Alternate Method.

**FINANCIAL IMPLICATIONS:** The State has yet to provide a current spreadsheet. Attached is the spreadsheet from last year which shows an amount of \$345,554.04 allocated to Unalaska.

**LEGAL:** No legal opinion is necessary for this item.

**STAFF RECOMMENDATION:** Adoption of Resolution No. 2017-03

**PROPOSED MOTION:** "I move to adopt Resolution 2017-03 . . ."

**CITY MANAGER'S COMMENTS:** I recommend Council adopt this resolution.

Attachments:

Program Description from the State of Alaska

# **FY 16 SHARED FISHERIES BUSINESS TAX PROGRAM**

## **PROGRAM DESCRIPTION**

The purpose of the Shared Fisheries Business Tax Program is to provide for an annual sharing of fish tax collected outside municipal boundaries to municipalities that can demonstrate they suffered significant effects from fisheries business activities. This program is administered separately from the state fish tax sharing program administered by the Department of Revenue which shares fish tax revenues collected inside municipal boundaries.

### **Program Eligibility**

To be eligible for an allocation under this program, applicants must:

1. Be a municipality (city or borough); and
2. Demonstrate the municipality suffered significant effects as a result of fisheries business activity that occurred within its respective fisheries management area(s).

### **Program Funding**

The funding available for the program this year is equal to half the amount of state fisheries business tax revenues collected outside of municipal boundaries during calendar year 2014.

Program funding is allocated in two stages:

**1st Stage:** Nineteen Fisheries Management Areas (FMAs) were established using existing commercial fishing area boundaries. The available funding is allocated among these 19 FMAs based on the pounds of fish and shellfish processed in the whole state during the 2014 calendar year. For example, if an area processed 10% of all the fish and shellfish processed in the whole state during 2014, then that area would receive 10% of the funding available for the program this year. These allocations are calculated based on Fisheries Business Tax Return information for calendar year 2014.

**2nd Stage:** The funding available within each FMA will be allocated among the municipalities in that area based on the level of fishing industry significant effects suffered by each municipality compared to the level of effects experienced by the other municipalities in that FMA.

Some boroughs, because of their extensive area, are included in more than one fisheries management area. In these cases, the borough must submit a separate program application for each area.

# FY 16 SHARED FISHERIES BUSINESS TAX PROGRAM

## PROGRAM DESCRIPTION

### There are two possible application methods: Standard and Alternative

**Standard Method:** In the Standard Method, established by the department, each municipality in the FMA must determine and document the cost of fisheries business impacts experienced by the community in 2014. These impacts are submitted by each municipality in their applications. The department will review the applications and determine if the impacts submitted are valid. Once the impacts have been established for each of the municipalities in the FMA, the department will calculate the allocation for each municipality using the following formula:

One half of the funding available within a FMA is divided up among participating municipalities on the basis of the relative dollar amount of impact in each municipality. The other half of the funding available to that area is divided equally among all eligible municipalities.

**Alternative Method:** Alternative allocation methods may be proposed by the municipalities within the FMA. The department will consider approving the use of a proposed alternative method only if all the municipalities in the area agree to use the method, and if the method includes some measure of the relative effects of the fishing industry on the respective municipalities in the area.

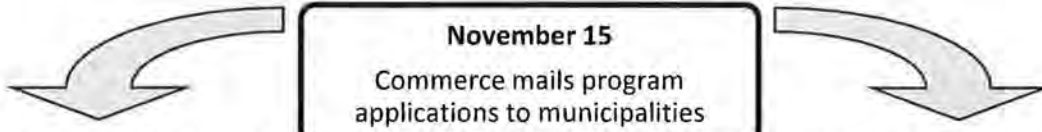
This application packet contains the instructions and forms for applying under either of these methods.

- The **yellow pages** are for applications using the standard method.
- The **pink pages** are to be used for alternative method applications.

The chart on the following page summarizes the process for these two methods.

# FY 16 SHARED FISHERIES BUSINESS TAX PROGRAM

## PROGRAM DESCRIPTION



### STANDARD METHOD

**By no later than February 15**

Each municipality determines and documents the cost of fisheries impacts on the community and submits this information with their application.

**By no later than April 15**

Commerce reviews applications, makes a determination as to the validity of the submitted impacts, and notifies the municipalities of this determination.

**Within 30 days**

Municipalities have 30 days in which to appeal Commerce's determinations regarding submitted impacts.

**Within 20 days**

Commerce will respond to appeals within 20 days after receiving them.

**After all appeals are resolved**

Commerce will perform the formula calculations for each FMA based on the relative impacts approved for each municipality in the FMA, and distribute the funding allocations.

### ALTERNATE METHOD

**By no later than January 15**

All municipalities in an FMA work together to develop an alternate allocation formula and submit their proposal to Commerce. Municipalities are encouraged to consult with Commerce during this effort regarding the acceptability of alternative methods.

**By no later than February 1**

Commerce reviews alternate proposals, determines if proposals are acceptable, and notifies the municipalities of this determination. If the proposal is accepted, municipalities may then use the Alternative Method application. If the proposal is not acceptable to Commerce, the department will work with municipalities in an area to resolve problems. If the problems cannot be resolved, the municipalities in that FMA must apply using the Standard Method application.

**By no later than February 15**

Each municipality must submit an Alternative Method application. Commerce will distribute allocations after all applications within that FMA have been received and verified.

## **FY 16 Shared Fisheries Business Tax Program Application Instructions**

### **ALTERNATE METHOD The Process**

- In the alternate method application process all municipalities in a fisheries management area may work together to develop an alternative allocation formula for distributing the available program funding among municipalities in the area. It is advised that the department be consulted during this process if the municipalities have questions or concerns about what constitutes an acceptable alternative to the standard allocation method.
- All the municipalities in an area must reach an agreement in writing on an alternative allocation formula.
- By January 15, the department must receive the proposed alternative method. If the alternative method is not acceptable, the department will work with the municipalities to resolve the problems.
- If the municipalities in an area fail to satisfy the department regarding the acceptability of the alternative allocation method proposed, then each municipality in the region must return to the standard application process and submit separate applications as required by that process.
- If the department finds the alternative allocation method satisfactory, each municipality must then complete an alternative method application consisting of a cover page and resolution. The resolution must be adopted by the governing body and it must clearly describe the approved alternative allocation method within that area. After all alternative method applications within an area have been received and approved; the department will perform the allocations and distribute program funds.

### **Specific Instructions for an Alternative Method Application**

In the alternative method application, an approved resolution constitutes the application. No other forms need to be submitted. A sample resolution has been attached for your use.

## **General Guidelines for Developing an Alternative Allocation Method**

**All municipalities in a fisheries management area must agree on the alternative method:**

There must be unanimous agreement among all eligible municipalities in a fisheries management area with regard to alternative allocation methods. It is the responsibility of community leaders in the area to work together to negotiate an alternative which is acceptable to all municipalities. The department may be consulted at any time regarding what kinds of formula approaches are considered acceptable by the department.

**Alternative methods must incorporate some measure of the relative significant effects experienced by the respective municipalities in the area.** The measure of significant effects may take many forms. One area might agree to use the number of commercial fishing boat visits-per-year per community as a measure of significant effects. Another area might use the linear foot-length of public docks as a measure. Another area might use community population figures as an indication of the significant effects of fisheries business activity. Another area might share one half of the funding equally between the respective municipalities and share the other half based upon community population figures. Areas may decide to use one measure, or may use a combination of measures.

**Submit your completed application  
by no later than February 15, 2016 to:**

**Department of Commerce, Community,  
and Economic Development  
Division of Community and Regional Affairs  
Shared Fisheries Business Tax Program  
P.O. Box 110809  
Juneau, AK 99811-0809**

**If you require assistance in completing this application,  
please call Danielle Lindoff at 465-4733.**



**FY 16 Shared Fisheries Business Tax Program**

<b>FMA 2: Aleutians Islands Area</b>					<b>FY 16 Landing Tax Allocation</b>						
<i>Alternative Method*</i>					Total allocation:	\$804,348.94	60% Divided	\$482,609.37	40% per capita	\$321,739.58	\$105,284.29
<b>Community</b>	<b>Population</b>	<b>60% divided share</b>	<b>40% per capita share</b>	<b>Calculated Allocation</b>		<b>Calculated Allocation</b>					
Adak	247	\$96,521.87	\$13,118.14	\$109,640.01		\$14,351.20					
Aleutians East Boro	3,096	\$96,521.87	\$0.00	\$96,521.87		\$12,634.12					
Akutan	1,052	\$96,521.87	\$55,871.58	\$152,393.45		\$19,947.36					
Atka	70	\$96,521.87	\$3,717.69	\$100,239.56		\$13,120.74					
Unalaska	4,689	\$96,521.87	\$249,032.17	\$345,554.04		\$45,230.88					
Totals	9,154	\$482,609.37	\$321,739.58	\$804,348.94		\$105,284.29					
Community Count	5										
<p>* All municipalities share equally 60% of allocation; all but Aleutians East Boro share remaining 40% on a per capita basis.</p>											