

Yakutat Regional Aquaculture Assoc. Tax Assessment Presentation

November 1, 2012



Who We Are

Yakutat Regional Aquaculture Association (YRAA) incorporated in Feb of 2011 and has spent the past 1-1/2 years getting organized and recognized by the Commissioner of Fish and Game as the regional association for the Yakutat Region.

Our mission statement is “To augment the State of Alaska common property fishery in the Yakutat region that contributes to subsistence, sport, commercial, personal use and other Alaskan fisheries through the rehabilitation of the State of Alaska salmon fisheries by artificial means and enhancement.”

The Commissioner of ADFG recognizes a regional non-profit Corporation for the purpose of enhancing salmon production if the Commissioner determines that: 1.) it is comprised of associations representative of commercial fishermen in the region; 2.) it includes representatives of other user groups interested in fisheries within the region who wish to belong; and 3.) it possesses a board of directors which includes no less than one representative of each user group that belongs to the association. (In this section “user group” includes but is not limited to, sport fishermen, processors, commercial fishermen, subsistence fishermen and representatives of local communities.)

The Elected Board of Directors are:

<u>Name</u>	<u>Officers</u>	<u>Represents</u>	<u>Term Ends</u>
Larry Bemis	President	Hand Troll	2015
Nate Endicott	Vice - President	Set Net	2013
<i>Vacant</i>		Public at Large	2015
Jonathan Pavlik	Treasurer	Set Net	2015
Bert Adams Sr.		Subsistence	2014
Sam L Demmert		Power Troll	2013
Sam O Demmert		Set Net	2014
Jack Endicott		Public at Large	2013
Kip Fanning		Sport Fish	2014
Herb Holcomb		Power Troll	2015
Nick Holcomb		Chamber/City	2014
Martha Indreland		Regional/Village/Shareholder	2015
Gary Johnson		Processor	2013
Casey Mapes		Hand Troll	2013
Wayne Ivers		Set Net	2014

State of Alaska Non-Profit Salmon Hatcheries

- Hatchery Legislation was developed in 1974
- *“It is the intent of this act to authorize the private ownership of salmon hatcheries by qualified non-profit corporations for the purpose of contributing, by artificial means, to the rehabilitation of the state’s depleted and depressed salmon fishery. **The program shall be operated without adversely affecting the natural stocks of fish in the state and under a policy of management which allows reasonable segregation of returning hatchery-reared salmon from naturally occurring stocks”***
- A hatchery permit may not be issued unless the Commissioner determines that the action would result in substantial public benefits and would not jeopardize natural stocks (AS 5 Sec 16.10.380 (g))

Alaska Statutes for Non-Profit Hatcheries

Title 16: Chapter 5. Fish and Game Code

Article 5. Management of Fish and Fisheries

Title 16: Chapter 10. Fisheries and Fishing Regulations

Article 9. Salmon Hatcheries; and

Article 10. Fisheries Enhancement Loan Program

Title 16: Chapter 43. Regulation of Entry into Alaska Commercial Fisheries

Article 6. Special Harvest Area Entry permits

Title 43: Chapter 76. Salmon Enhancement and Marketing Taxes

Article 1. Salmon Enhancement Tax



Yakutat Salmon Sales and Use Tax

- In 1993, Yakutat adopted an ordinance adopting a Salmon sales and use tax in the City and Borough of Yakutat (93-18)
- Tax is levied upon any sale of raw salmon within the Borough paid by the first buyer (Chapter 6.48 Salmon Tax)
- Tax is levied at 1% of the ex-vessel value of the salmon
- All funds received from taxes imposed under this Chapter shall be paid into a Borough fund useable only for Salmon Habitat Enhancement.
- Salmon Habitat Enhancement Board approved by assembly in '93 (93-19) as an advisory board to the assembly on all matters relating to administration of and expenditures from the Salmon Habitat Enhancement Fund. Actions by the Salmon Board are subject to ratification by the Assembly. Board is made up of five members appointed by the Mayor and confirmed by the Assembly. Yakutat Salmon Board members are: Larry Powell, Chairman; Greg Dierick; Raymond Sensmeier; Wayne Ivers; and Casey Mapes.

Yakutat Salmon Sales and Use Tax (cont.)

- Income raised from 1% salmon sales and use tax in
 - 2008 \$ 33,693.00
 - 2009 \$ 27,967.00
 - 2010 \$ 24,733.00
 - 2011 \$ 35,665.00
- Salmon Sales and Use tax is committed as matching funds for at least three years (through FY ?) for:

Ophir Creek stream gauging station (\$?);

Yakutat Bay Salmon Genetics Study

\$15,000 Salmon Board Commitment \$5K each year

Post-flooding Habitat Analysis (\$?)

(from personal communication with Bill Lucey to Kathy Hansen)

City and Borough of Yakutat, Alaska - Fishery Enhancement Special Revenue Fund

Year ended June 30, 2011 with comparative amounts for 2010

	2011 Budget	2011 Actual	2010 Actual
Revenues:	\$		
Fishery Taxes	20,000	35,665	24,773
Federal Government	110,820	94,262	171,154
Private Grants and contributions	19,930	6,626	1,619
Other	26,092	26,906	30,828
Other Financing Transfers (National Forest Receipts & Oceancape Facilities Enterprise Fund)	<u>52,748</u>	<u>52,748</u>	<u>43,354</u>
Total Revenues	\$229,590	\$216,207	\$271,688
Expenditures - Community Services:	\$		
Payroll and payroll benefits	139,531	122,401	161,206
Travel	9,166	7,140	2,724
Materials and supplies	34,728	42,811	32,415
Telephone	3,371	879	795
Postage	160	46	89
Insurance	4,786	4,327	3,986
Gas and oil	1,000	2,293	1,198
Contract Services	36,773	21,153	58,313
Repairs and Maintenance	75	-0-	493
Total Expenditures	\$229,590	\$201,050	\$261,219

Salmon Enhancement Tax (SET)

- This is different than the local tax although similarly named.
- Tax is collected on **ALL FISH HARVESTED** in the region regardless of where landed and not just the fish LANDED in Yakutat
- State of Alaska Statute (chapter 43.76) allows a regional aquaculture association designated by the Commissioner of ADFG for a region for the purpose of salmon production to assess a tax of 1%, 2% or 3% on limited entry permit holders.
- Tax is based on value of salmon as defined in [AS 43.75.290](#)
- State of Alaska Dept of Revenue collects the tax from the first buyer. For example, Money collected in 2013 would be disbursed from the State to the Regional Aquaculture Association in July of 2014.

Process to Assess “SET” Tax

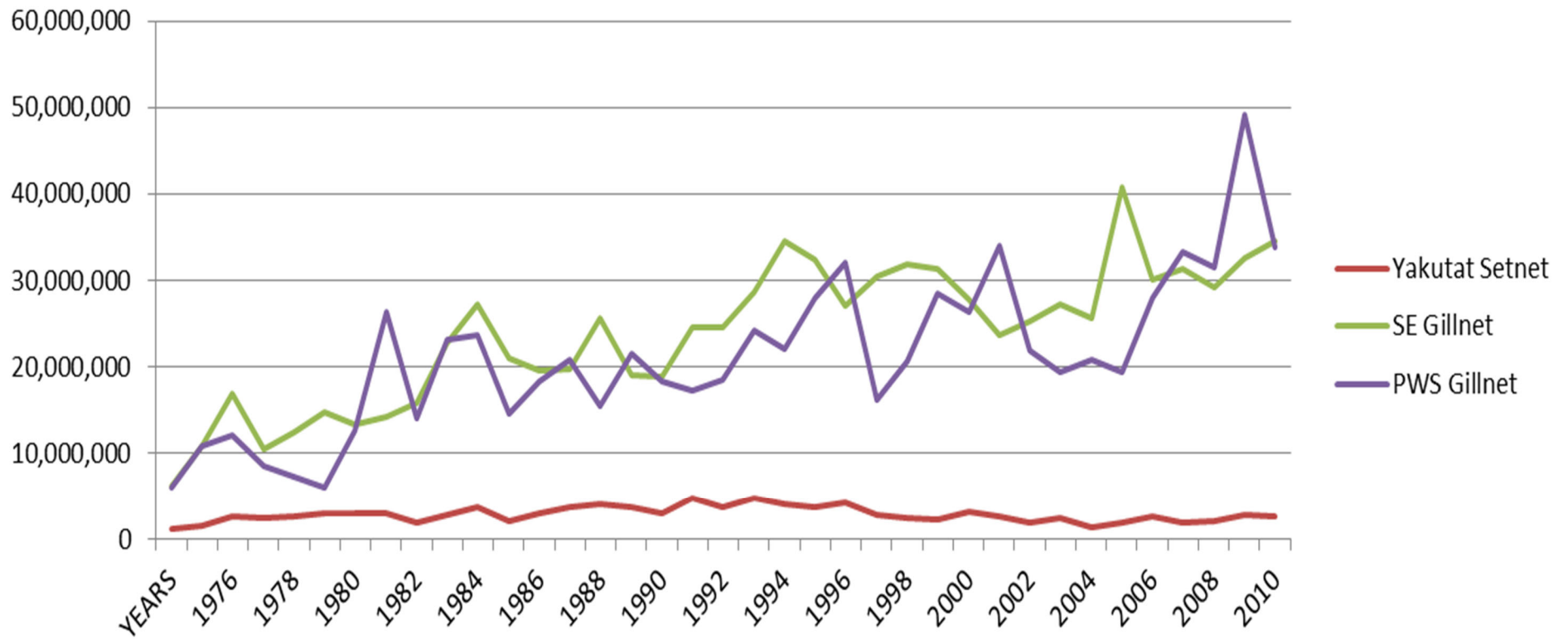
- Yakutat Regional Aquaculture Association Board of Directors vote to hold an election for assessment and determine whether it is a 1%, 2% or 3% tax.
- Dept. of Commerce must approve the notice to be published by the qualified regional association; the ballot to be used in the election; and the registration and voting procedure for the approval of the salmon enhancement tax
- The SET is levied under AS 43.70.001-43.76.013 in a region on the effective date stated on the ballot if 1.) it is approved by a majority vote of the eligible interim-permit and entry permit holders (Yakutat setnet and statewide power and hand troll) in an election held under this section in the region; and 2.) the election results are certified by the Commissioner of Commerce, Community and Economic Development
- One Public Hearing in the Region must be held not less than 30 days before the date on which ballots must be postmarked to be counted in the election to explain the reason for the proposed salmon enhancement tax and to explain the registration and voting procedure to be used in the election. Mail a notice of public hearing to each permit holder and post in at least three public places and one newspaper of general circulation.
- Two ballots will be mailed to each permit holder, the first not more than 45 days before and then 15 days before ballots must be postmarked to be counted in the election.

Benefits of and Comparisons of Hatchery Programs to the East and West of Yakutat

Herb Holcomb stated in a letter of support for the regional aquaculture association to the Commissioner of Fish and Game April 26, 2011, *“I’m a second-generation Yakutat fisherman. I’ve trolled and gillnetted the Yakutat area since I got out of High School 14 years ago. Last year due to the declining salmon runs in our area. I sold my Yakutat area setnet permit and bought into a southeast driftnet permit. This year two more local longtime (2nd generation) gillnet fishermen and one who’s been here for four years bought into areas that have serious salmon enhancement programs. Clint Ivers like myself bought in to the Southeast driftnet fisheries. Jonathan Pavlik and Seth Densmore bought in to Prince William Sound. Seth Densmore moved himself and his family permanently to Anchorage. **There are several other local fishermen talking of selling out here and going to either Southeast or Prince William Sound, whether they do or not, I’m very concerned for the future of Yakutat’s fisheries which is the lifeblood of our community.** We desperately need this Aquaculture Association and through them an enhancement program in the Yakutat area.”*

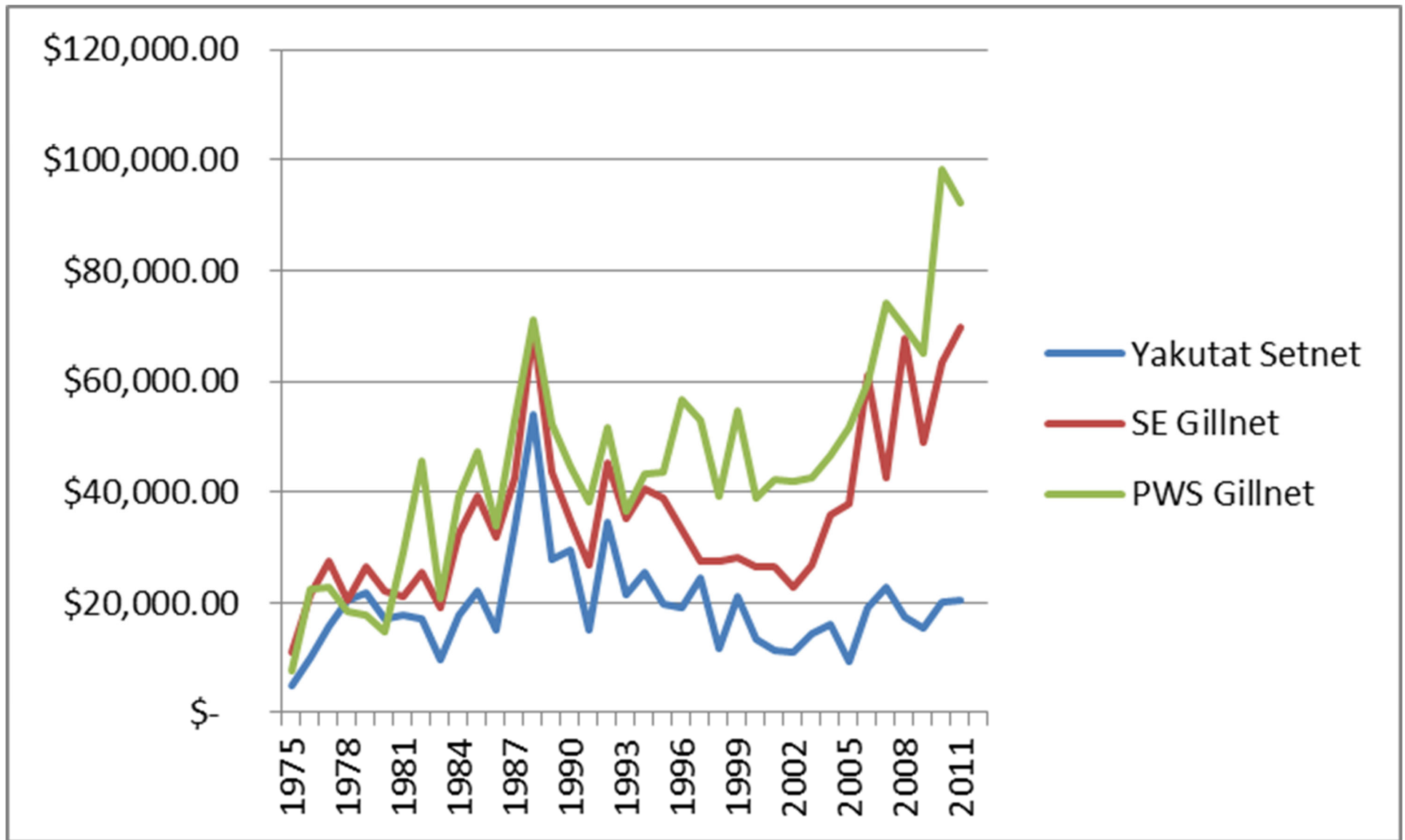


Yakuatat setnet, SE & PWS Gillnet Fisheries in Pounds of all species



Comparison of Yakutat setnet, Southeast drift gillnet, & PWS drift gillnet

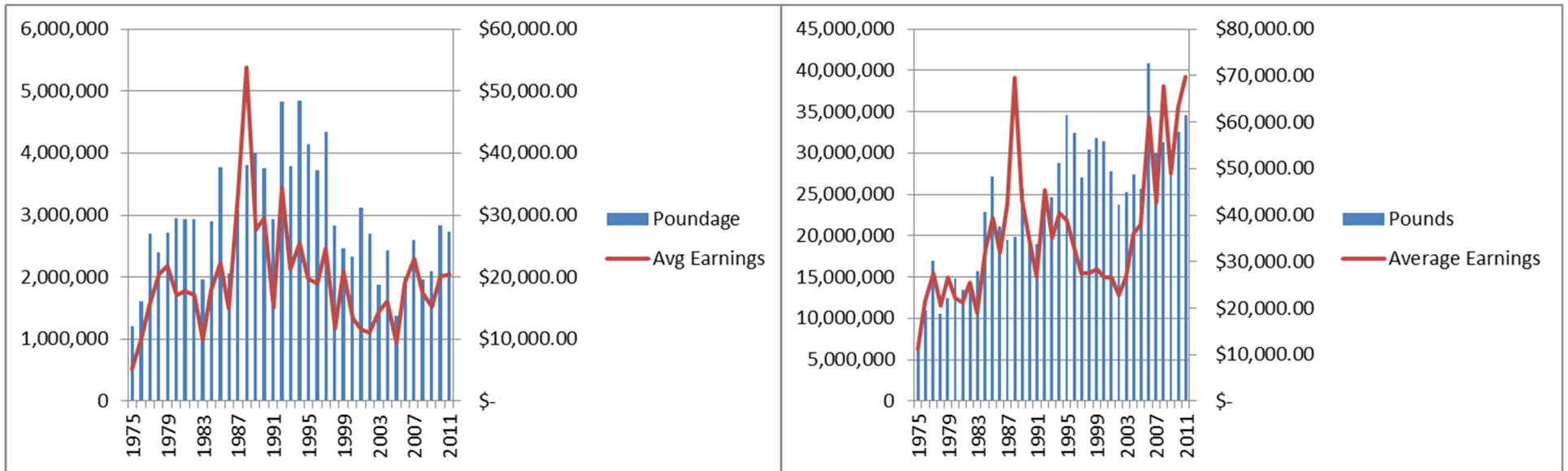
3rd Quartile Average Earnings - All species Combined



Data from CFEC Quartile tables: <http://www.cfec.state.ak.us/quartile/mnusalm.htm>

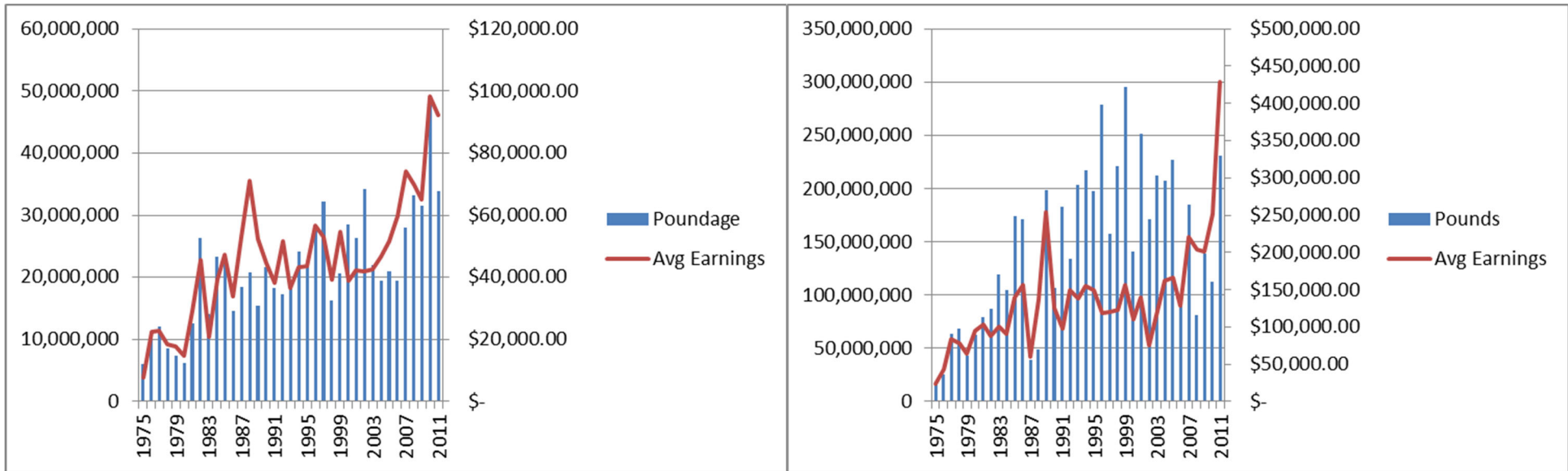
Regional Gear Types showing Poundage of all species and Avg. Earnings

Price significantly affects average earnings, but you can see the benefit of the hatchery poundage in the late '90 & early 2000's when price was at rock bottom.



YAKUTAT SET NET

SOUTHEAST DRIFT GILLNET



PRINCE WILLIAM SOUND DRIFT GILLNET

SOUTHEAST PURSE SEINE

Hatchery Return Contributions in Southeast

2011 Southeast: Returning hatchery-produced salmon accounted for 10% of the salmon in the commercial CPF (common property fishery); 75% of the chum, 29% of the coho, 22% of the Chinook, 13% of the sockeye, and 1% of the pink salmon can be attributed to fisheries enhancement projects. The harvest of hatchery-produced salmon contributed an estimated \$43 million or 21% of the ex-vessel value of salmon in the commercial CPF harvest. *(note: record breaking wild pink salmon harvest occurred in 2011)*

2010 Southeast: Hatcheries in the enhancement program produced 18% of the total number of salmon in the common property commercial harvest; 72% of the chum, 28% of the coho, 22% of the Chinook, 8% of the sockeye, and 2% of the pink salmon in the common property commercial harvest were hatchery produced. Additionally, enhanced salmon contributed an estimated \$38 million or 35% of the ex-vessel value of salmon in the common property commercial harvest.

From the Alaska Salmon Fisheries Enhancement Program 2011 Annual Report . Alaska Department of Fish and Game, Fishery Management Report No. 12-04, Anchorage By White, B. 2012 <http://www.adfg.alaska.gov/FedAidpdfs/FMR12-04> ; and

Alaska Salmon Fisheries Enhancement Program 2010 Annual Report. Alaska Department of Fish and Game, Fishery Management Report No. 12-04, Anchorage By White, B. 2012 <http://www.adfg.alaska.gov/FedAidPDFs/FMR11-04.pdf>

Hatchery Return Contributions in Prince William Sound

2011 Prince William Sound: An estimated 24 million salmon returned from hatchery releases, accounting for an estimated 73% of the total number of salmon in the commercial CPH (common property harvest); 84% of the chum, 75% of the pink, 50% of the sockeye, and 50% of the coho salmon in the commercial CPH were hatchery produced. In addition, hatchery produced salmon contributed an estimated \$59 million, or 57% of the ex-vessel value of the salmon in the commercial CPH.

2010 Prince William Sound: A record number of pink salmon (69 million) returned from hatchery releases in the Sound. Hatchery production accounted for an estimated 98% of the total number of salmon in the common property commercial harvest; 99% of the chum, 98% of the pink, 78% of the sockeye, and 5% of the coho salmon in the common property commercial harvest were hatchery produced. In addition, enhanced salmon contributed an estimated \$123 million or 92% of the ex-vessel value of the common property commercial harvest.

From the Alaska Salmon Fisheries Enhancement Program 2011 Annual Report . Alaska Department of Fish and Game, Fishery Management Report No. 12-04, Anchorage By White, B. 2012 <http://www.adfg.alaska.gov/FedAidpdfs/FMR12-04> ; and

Alaska Salmon Fisheries Enhancement Program 2010 Annual Report. Alaska Department of Fish and Game, Fishery Management Report No. 12-04, Anchorage By White, B. 2012 <http://www.adfg.alaska.gov/FedAidPDFs/FMR11-04.pdf>

Economic Impacts of Private Non-Profit Aquaculture Associations in Southeast Alaska

McDowell Group Report - June 2010 - Prepared for NSRAA, DIPAC & SSRAA

Executive Summary - Study quantifies the combined economic impacts of NSRAA, SSRAA & DIPAC from 2001 to 2008.

Total Economic Impacts

- In 2008, hatchery operations and the commercial harvesting and processing of salmon produced by NSRAA, DIPAC and SSRAA generated total direct, indirect and induced economic output of \$171 million.
- In 2008, direct, indirect, and induced employment and payroll generated as a result of NSRAA, DIPAC, and SSRAA operations totaled 971 jobs and \$50 million in labor income. Direct employment is estimated at 662 with \$33 million in labor income in 2008, while economic multiplier impacts (indirect & induced) of the rearing, harvesting, processing of hatchery produced salmon added 309 jobs and \$17 million in labor income.

Commercial Ex-vessel Volume and Value:

- In common property fisheries from 2001 to 2008, the commercial fleet harvested 326 million pounds worth \$130 million in ex-vessel value of salmon produced by NSRAA, DIPAC, and SSRAA. Cost recovery efforts added 210 million pounds of salmon worth \$88 million.
- From 2001 to 2008, salmon reared by NSRAA, DIPAC and SSRAA and harvested by commercial fishermen accounted for 30 percent of the ex-vessel value and 25 percent of the volume of the total Southeast Alaska salmon harvest.

Processors' First Wholesale Value and Gross Revenue

- From 2001 to 2008, the first wholesale value (meaning the value of the products processed in Alaska before export) of processed salmon produced by these aquaculture organizations totaled nearly one-half billion dollars (\$374 million) in first wholesale value for seafood processors. In 2008, seafood processors earned \$98 million in first wholesale value by processing hatchery produced salmon.
- From 2001 to 2008, processors earned \$162 million in gross revenues (meaning the first wholesale value, less the ex-vessel price paid to fishermen) as a result of processing NSRAA, DIPAC and SSRAA salmon. In 2008, seafood processors earned \$40 million in gross revenue by processing hatchery produced salmon.

Direct Impacts of Aquaculture Association Operations:

- In 2008, the three associations contributed nearly \$21 million in payroll and expenditures on goods and services to the regional economy. They employed an annual average of 115 employees earning \$4.6 million in payroll. NSRAA, DIPAC and SSRAA also spent \$16.3 million on goods and services, the majority of it with local Alaska companies.

Community Revenue from Fisheries Business Tax:

- From 2001 to 2008, NSRAA, DIPAC and SSRAA salmon generated \$6.5 million in fisheries business tax, which is split evenly between the state general fund (\$3.3 million) and the local governments (\$3.3 million) of the communities where the salmon were landed.

Charter, Sport, Personal Use, and Subsistence Contributions:

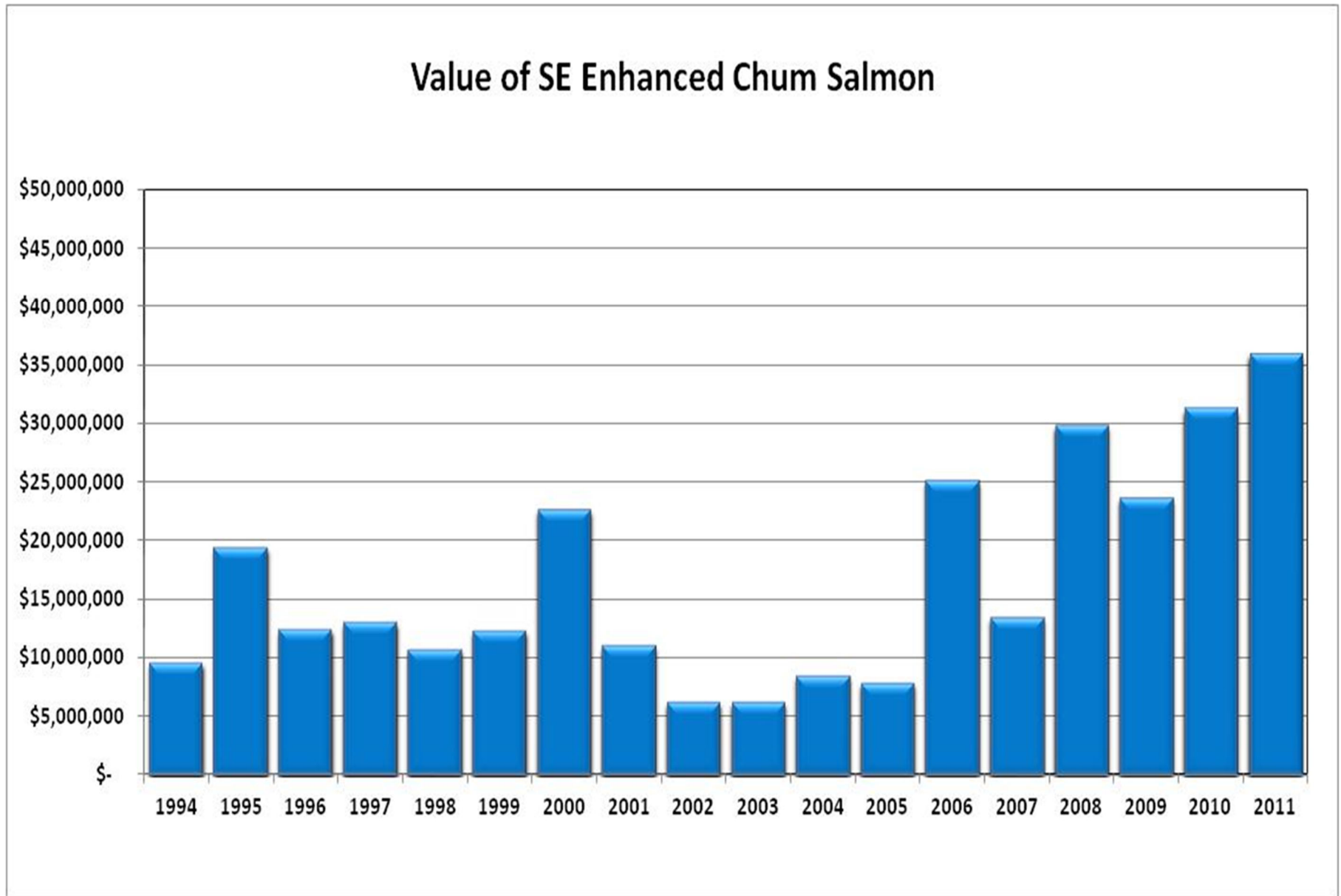
- Salmon from NSRAA, DIPAC and SSRAA contribute significantly to the sport, personal use and subsistence fisheries of residents of the region
- From 2001 to 2008, charter and other sport fishermen harvested 383,000 NSRAA, DIPAC and SSRAA Chinook (king) and coho salmon.

Harvesters' Enhancement Tax Return on Investment:

- From 2001 to 2008, each \$1 of voluntary salmon enhancement tax paid by harvesters returned \$8.22 in ex-vessel value from the common property fisheries (excluding cost recovery fisheries)
- From 2001 to 2008, each \$1 of voluntary salmon enhancement tax paid by harvesters returned \$10.27 in gross processing revenues (first wholesale value less ex-vessel value)
- In 2008, each \$1 of voluntary salmon enhancement tax paid by Southeast fishermen generated \$12.97 in ex-vessel value from common property fisheries and \$14.78 in gross processing revenues.

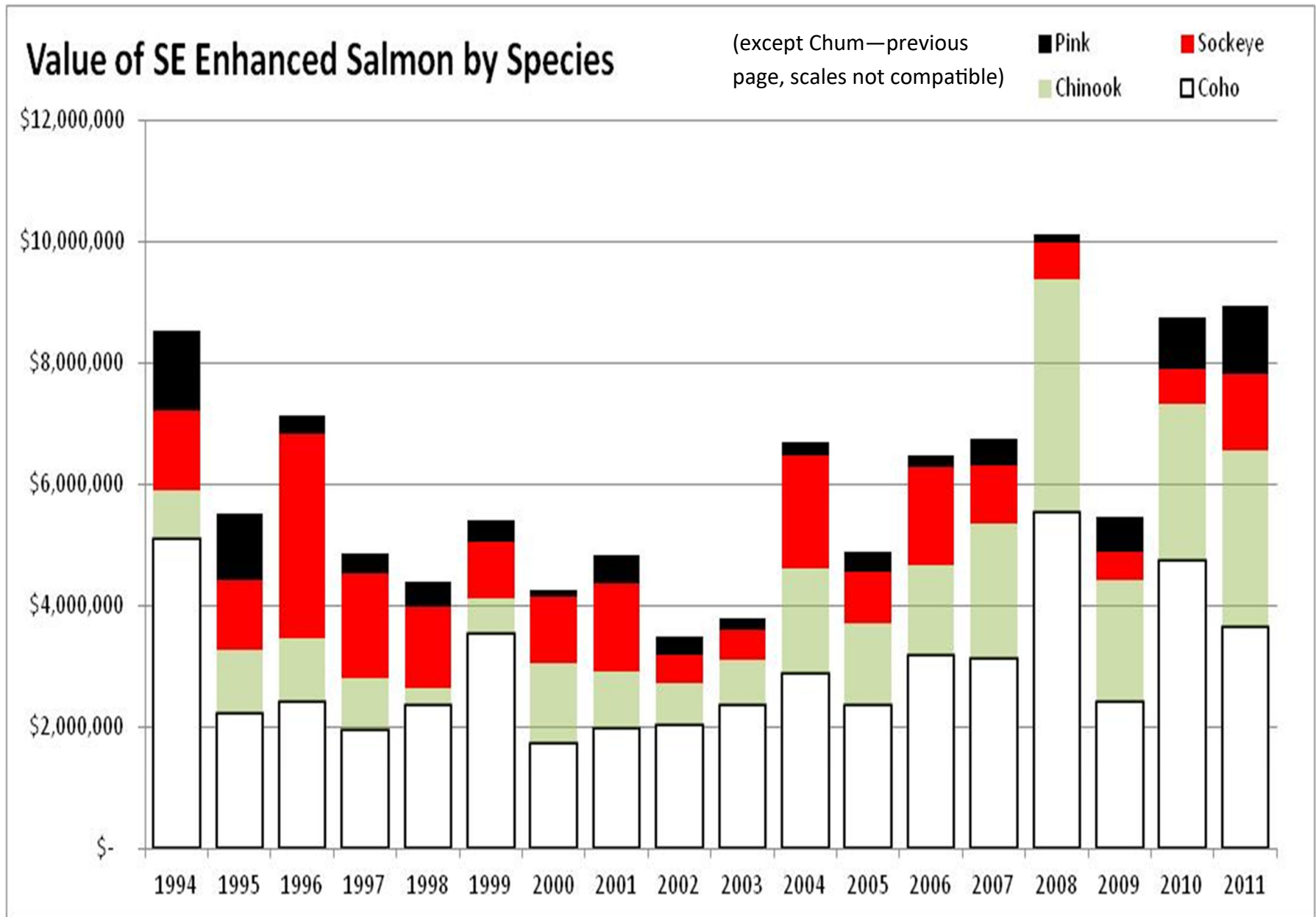
Full report can be read online at: http://www.adfg.alaska.gov/static/fishing/PDFs/hatcheries/se_hatcheries_10.pdf

Southeast Value of Enhanced Chum Salmon (Seine, drift gillnet & troll Combined)



From: Power-point presentation *Pre-preliminary 2011 and Final 2010 Allocation Estimates of Enhanced Salmon in Southeast Alaska* at the Southeast Joint Regional Planning Team April 11, 2012

Southeast Value of Enhanced Salmon by Species (Seine, drift gillnet & troll Combined)



From: Power-point presentation *Pre-preliminary 2011 and Final 2010 Allocation Estimates of Enhanced Salmon in Southeast Alaska* at the Southeast Joint Regional Planning Team April 11, 2012

Yakutat Community and Economic Indicators, 2012

June 25 Draft Document

Strengths, Assets and Competitive Advantages:

- **A fishing community since it's inception.** Yakutat has a rich and healthy seafood economy.
- **Yakutat has one of the strongest subsistence economies** of Alaska's coastal areas.

Weaknesses and Challenges:

- The community has **lost 18% of it's population** over the last decade
- Yakutat is the most **remote** community in the State
- **If the Hubbard Glacier causes a washout of the Situk River system the fisheries here could be lost for many years.**
- Commercial fishing and processing **jobs are seasonal**
- While overall employment is up over the decade, **employment and payroll have DECLINED since 2006**
- **Fishing and processing jobs are a key economic sector**, leaving the Yakutat economy vulnerable to pricing and harvest fluctuations that are outside of local control.

Yakutat Regional Aquaculture Association Plans

- Yakutat Regional Aquaculture Association (YRAA) on October 6, 2012 **voted to hold an election for a 2% SET enhancement tax** this fall after providing this presentation to the assembly.
- Started a **rewrite of the Yakutat Salmon Comprehensive Plan 1984** in collaboration with the Yakutat Regional Planning Team.
- **Sent out a survey** to all post office box holders in Yakutat and permit holders regarding their uses of salmon, priorities and interest in what types of enhancement and rehabilitation.
- **Submitted a Management Feasibility Analysis (MFA) request** for a remote release chum and/or pink salmon enhancement project or hatchery with 6 possible release sites (Broken Oar Cove, Redfield Cove, Kooisk Pt/Humpy Creek, Monti Bay/Western Beach, Eleanor Cove/Little Chicago and Puget Cove). ADFG will provide the applicant an analysis that provides at a minimum the following information: 1.) an estimate of potential contributions to the common property fishery; 2.) potential size and location of a special harvest area; 3.) special management considerations or the need for additional studies; 4.) potential broodstock sources; 5.) an assessment of production potentials for each species; and 6.) additional factors considered by the department to be relevant to the proposed hatchery operation for each release site. Expected to receive results in November 2012.
- **Requesting information from other hatchery associations** to help in the planning process.

What YRAA is Asking the Assembly For

- **YRAA would like to request that the City and Borough of Yakutat Assembly to phase out the Yakutat Salmon Sales and Use Tax and dissolve the Salmon Board.** This would include:
 - ⇒ Pass an assembly ordinance that dissolves the Yakutat Salmon Sales and Use Tax starting at the beginning of FY 2015 (?) as long as a SET tax is voted in by the limited entry permit holders in the fall/winter of 2012-'13; and
 - ⇒ Direct any funds not previously committed to the three projects on page 8 to YRAA for a chum and/or pink enhancement project and other appropriate expenditures to be approved by the assembly.
 - ⇒ Pass an assembly resolution supporting the efforts of the YRAA for enhancement projects and directing the City Manager and staff to support the efforts of the YRAA to increase the economic base for the community through enhancement.

- ⇒ Pass an assembly ordinance for the dissolution of the Salmon Habitat Enhancement Board immediately and use the YRAA board as an advisory panel until the Yakutat Salmon Sales and Use Tax is phased out. OR

- ⇒ If you maintain the 1% tax into the future, dissolve the Salmon Board and direct the 1% Yakutat Salmon Sales and Use tax to the Yakutat Regional Aquaculture Association for enhancement and rehabilitation of salmon in the Yakutat region.

What are the Benefits and Drawbacks to the City of Yakutat Rescinding the Tax and Supporting YRAA?



Photo Credit: Casey Mapes

Gillnetting in the Situk

Maintaining the local tax will benefit the City and Borough of Yakutat by:

- ◇ Leveraging the tax for additional grant funds for studies which the City has been quite successful at.
- ◇ Maintaining current employees funded by the Fishery Enhancement Special Revenue Fund (dissolution of the tax would eventually replace at least this level of employment and probably increase employment in the future - just becomes private jobs rather than government).

Dissolution of the tax will benefit the Yakutat Regional Aquaculture Association and eventually the City and Borough of Yakutat in the following ways:

- ◇ Increase in the amount of funds collected overall by capturing taxes on the harvest of all salmon **caught** in the Yakutat region and the associated federal waters not just landed in the City of Yakutat. *(The differences between these two can not be quantified by any of the information databases available).*
- ◇ The SET tax can be used as loan collateral to the State of Alaska for enhancement activities by YRAA as projects move forward and does not create any encumbrance on the city.

- ◇ Limited Entry permit holders of Yakutat will be more inclined to vote in the SET tax administered by the State if the local tax is being phased out. YRAA and permit holders can vote to increase to a 3% enhancement tax after the city tax is phased out.
- ◇ The City Salmon Sales and Use tax is seen as penalizing commercial fishermen who would like to deliver into Yakutat.
- ◇ YRAA is asking permit holders for a 2% SET tax which is the same as that collected in Prince William Sound and less than the 3% collected in the remainder of Southeast Alaska so will therefore still encourage troll harvest in the Yakutat region.
- ◇ **Enhancement projects can increase the economic base of the community. Increase the raw fish tax received by the City. Maintain or increase community population. Create a commercial fishery with an income sufficient to provide a comfortable livelihood.**

Thank You!

Yakutat Regional Aquaculture Association

website under construction

<http://www.yraa.org>

Following is a copy of the public survey being conducted about enhancement, please take a few moments and fill it out and send it in if you haven't yet.

Questions can be directed to any of the YRAA Board of Directors or Kathy Hansen 907-586-6652



Trolling in Yakutat