



Board of Fish Testimony
February 2016

Dear Board Members,

I am addressing you in my role as Mayor of the City of King Cove. This is my 5th term as Mayor since the late 1990's. Fishing is the economic cornerstone of King Cove's economy for local employment and revenue for city services. The nonstop changes in fishing regulations – *quotas, allocations, ownership shares, prices, etc* – continuously brings many difficult decisions to my responsibility as Mayor for our community of 900 residents.

Our annual city budget is about \$5 million. About half of our budget is our general fund, which pays for our public works programs, police & emergency services, recreation programs, support for our elders, and administration. The other portion of our budget deals with our two harbors, deep-water dock, electrical utility, water, sewer, and landfill.

The primary sources of revenue for our general fund are local and State taxes, and in particular, fish taxes. Fish taxes generate about \$1.0 million in local taxes and \$500,000 in State taxes. Of this total amount of about \$1.5 million in fish tax revenue, about 25% (around \$375,000) comes from salmon.

Approximately 35-40% of this annual salmon tax revenue of \$375,000 comes from Area M's South Peninsula District in June and July. This is the "heart" of our salmon fisheries for our local fleet, employment, and city revenues.

Now, depending on the actions of this Board in response to proposals 185 and 186, the city could see a significant reduction in its tax revenue. For every 10,000 LESS sockeyes that the Area M fleet can harvest in June and July, this will result in an estimated \$700 reduction in city tax revenue. This assumes the 2015 price of \$0.75/lb for sockeye remains the same.

A 30,000 reduction in sockeye harvest will result in about \$2,100 less revenue for the city, a 50,000 reduction in will mean about \$3,500, and a 100,000 reduction about \$7,000 in less revenues. Any significant level of sockeye allocation reduction for June and July will have an impact on the city's budget.

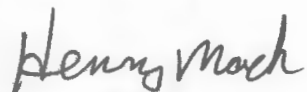
Over the last few years the City has gradually decreased its annual general fund spending to match its gradual decrease in general funding revenue. These decreases are approximately \$100,000, which is about 5% of our budget. These reductions have already resulted in some employee reductions and decreased benefits, deferred maintenance, and reductions in our youth and elders programs.

As everyone knows, the State's budget is also experiencing significant budget reductions that our impacting our communities. Revenue sharing is down about 30% from just a few years ago, and will likely be reduced another 30% to 50%. This reduction translates into another \$75,000 less annual revenue for King Cove.

King Cove residents decided to be proactive in these changing times and recently approved a 50% increase in our local sales/use tax rate going from 4% to 6% (not on fish though – this remains at 2%). This local sales tax has an impact on our residents. These impacts will now be further increased with some combination of a State income tax, sales tax, and modifications to our Permanent Fund Dividend. Consequently, I am very concerned about the financial future of our community and residents.

Another significant change in Area M salmon allocations from these two proposals will add to these concerns. I respectfully urge you to consider all relevant fisheries data and studies, and our historical and current financial dependency on this important part of our local salmon fishery, as you make your decisions on these proposals.

Respectfully submitted,



Henry Mack, Mayor

Notes/Assumptions

- 1) The sockeye catch data show that between 50-55% of the sockeyes caught in the southern district of Area M in June & July are processed by PPSF in King Cove;
- 2) 6.2 lb/sockeye assumed;
- 3) salmon are subject to the 2% City of King Cove fish tax and 0.75% State raw fish tax for shore-based processing (the State raw fish tax is 25% of the total 3.0% State fish tax);
- 4) assume 10,000 sockeyes X 55% (PPSF/King Cove) = 5,500 sockeyes processed in King Cove;
- 5) 5,500 lbs. x 6.2lbs/fish = 34,100 total lbs.
- 6) 34,100 lbs. x \$0.75/price/lb. = \$25,575 taxable fish revenue
- 7) \$25,575 revenue x 2.75% (combined city & state taxes) = \$703
- 8) 10,000 LESS sockeye = \$ 703 less
30,000 = \$2100 less
50,000 = \$3500 less
100,000 = \$7000 less
200,000 = \$14,000 less