



Institute of Social and Economic Research · University of Alaska Anchorage

December 2015

## Commercial Fishing, Mining, and Tourism: State Revenues and Spending

By Bob Loeffler and Steve Colt

### SCOPE OF THIS RESEARCH

Alaska's Division of Economic Development asked us to study a specific question: how do taxes and fees the commercial fishing, mining, and tourism industries pay the state government compare with what the state spends to manage and enhance those industries?<sup>1</sup>

Figure 1 summarizes our estimates of revenues from and management spending for these three industries.<sup>2</sup> Our full report (see back page) details our methods. We believe these estimates will be useful for policymakers and other Alaskans, but here are a few important things to keep in mind:

- This is not a broad analysis of all the benefits and costs of these industries. Such an analysis would weigh many other factors—including the substantial income and thousands of jobs they generate for individual Alaskans and communities.
- The state's management goals for these industries include many things besides collecting taxes and other revenues. We are not saying anything about what taxes on these industries should be.
- These industries are very important for the communities where they operate, but together they pay the state only a small fraction of what the oil industry pays, even at today's low oil prices (see Figure 2).
- We included both state and local revenues in our analysis, because both are important for Alaska. But while we looked at all state revenues and spending, we reviewed only the most important local revenues. We didn't estimate local management spending, which is generally small compared with state spending.
- Our estimates of both revenues and spending are based on what they were in recent years (see Endnote 1). But keep in mind that how much revenue these industries bring the state in any given year depends on prices for fish and minerals—which are volatile—as well as the level of mineral production, the size of fish runs, and the number of tourists who visit Alaska. Likewise, our state spending estimates are based on levels before falling oil prices created the current big budget deficit (see Endnote 4.) This year's capital budget is already far smaller, and operations spending is facing cuts as well.

### SUMMARY OF FINDINGS

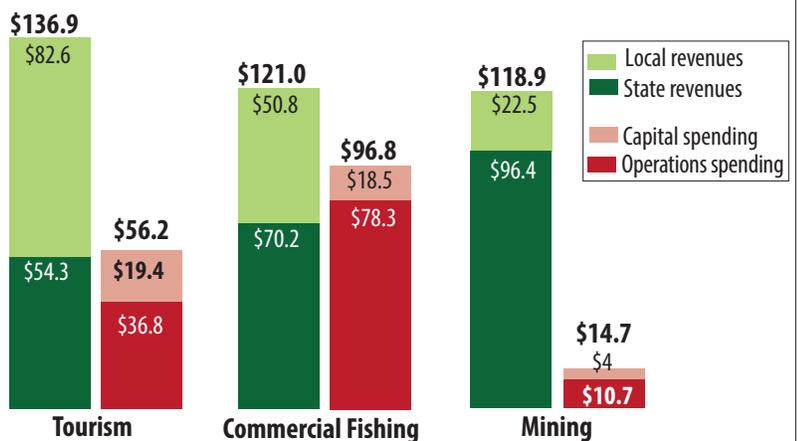
• Commercial fishing, mining, and tourism all generate combined state and local revenues in the same ballpark—about \$120 million to \$135 million a year.<sup>3</sup> But the breakdown between state and local revenues, and the levels of state management spending, differ considerably.

• All three industries pay more in combined state and local taxes than the state spends to manage them. Revenues from tourism and fishing are especially important to local governments: 60% of tourism revenue and 40% of fishing revenue goes to local governments. Counting only state revenues (excluding local revenues), commercial fishing generates less than the state spends to manage it. Mining brings in about six times more than the state spends. State revenues from tourism roughly equal total state spending for operations and capital projects.

• Most of the state's management spending for these industries goes to day-to-day operations, but capital spending is also important, especially for tourism and fishing: capital projects help maintain and enhance state and local facilities and the infrastructure those industries depend on—like ports, salmon hatcheries, and museums, to name a few.<sup>4</sup>

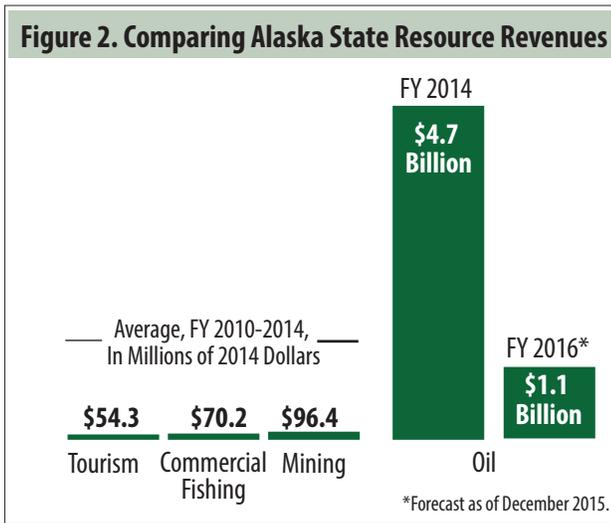
**Figure 1. Average Annual State and Local Revenues and State Management Spending\***

(In Millions of 2014 Dollars)



\*Revenues: average FY 2010-2014; state operations spending: FY 2014; state capital spending: average FY 2012-2014

**Figure 2. Comparing Alaska State Resource Revenues**



### OIL IS UNIQUE

We did not make any attempt to analyze the potential of the fishing, tourism, and mining industries to generate more state revenue than they do—or to assess whether they already pay too much. We were only asked to estimate how much they do pay.

But it's worth pointing out that under any conceivable conditions, none of these industries could generate state revenues anywhere close to what oil has generated for the past 30 years. Oil is unique among Alaska's resources. Its economics are much different from those of other resource industries: it has a much higher market value, compared with the costs of producing it.

Figure 2 compares annual state revenues the fishing, tourism, mining, and oil industries pay: billions of dollars from oil and about \$220 million from the other industries combined. The figure also shows the extreme volatility of oil revenues. With falling oil prices, the state's oil revenues in this fiscal year (2016) are expected to be only about a quarter of what they were in fiscal year 2014. (The state's fiscal year begins July 1 and ends June 30—so fiscal year 2016 began in July 2015 and will end in June 2016.)

### ENDNOTES

1. We included only revenues the industries pay to the General Fund or the Permanent Fund. Revenues are state taxes, royalties, and fees the industries pay. Resource revenues vary from year to year, because of factors we discussed on page 1. So in estimating revenues from the three industries, we used an average from fiscal years 2010-2014.

On the spending side, state operations spending includes expenses for managing, regulating, and promoting an industry. The operating budget fluctuates less than revenues do, so for determining operations spending we used just the fiscal year 2014 budget. The state capital budget is spending for projects, rather than day-to-day operations. It fluctuates much more from year to year, so for our analysis we averaged capital spending over fiscal years 2012-2014.

To account for the effects of inflation, we converted all revenues and spending to 2014 dollars, unless otherwise specified. We excluded federal money the state receives and spends; federal funds are not a cost to the state government.

2. All our numbers should be considered best estimates. The revenue figures are mostly from government reports, but estimating the spending numbers involved making judgments and economic assumptions. State spending for tourism is especially hard to estimate, because it isn't a specific "industry" but rather a collection of products and services sold to people visiting Alaska. Also, government actions that benefit tourists also often benefit Alaska residents, and it's difficult to determine how much of various kinds of government spending to allocate to tourism. So our estimates of tourism-related spending are less precise than our fishing and mining estimates. See chapters 2, 3, and 4 of the full report for more details.

3. We define commercial fishing as both fish harvesting and processing. Mining includes the hard rock, coal, and placer portions of the industry, but not sand and gravel. Tourism includes revenues from non-residents who come to Alaska for pleasure, plus 50% of revenue from visitors whose trips combine business and pleasure. Also, these revenue and spending figures for each industry are averages and don't reflect the differences in revenues and spending for segments within an industry. For instance, state spending and revenues will be different for a fishery in Cook Inlet than for one on the Kuskokwim River—or for a hard-rock mine than for a placer mine.

4. These capital spending numbers are an average from fiscal years 2012-2014, when capital budgets were much larger than they are likely to be in the next few years, because the state now has a huge budget shortfall. But without some capital spending, the facilities and infrastructure these industries depend on could fall into disrepair. Also, a portion of capital spending for commercial fishing consists of taxes and fees fishermen have agreed to pay, for specific purposes—like hatcheries or regional seafood development associations.

The full report is *Fiscal Effects of Commercial Fishing, Mining, and Tourism*, by Bob Loeffler and Steve Colt, prepared for the Division of Economic Development, Alaska Department of Commerce, Community, and Economic Development, December 2015. The full report and this summary are available on ISER's website at [www.iser.uaa.alaska.edu](http://www.iser.uaa.alaska.edu), under Publications.

Bob Loeffler is a visiting professor of public policy at ISER, funded by a grant to the University of Alaska Foundation from the Council of Alaska Producers. Steve Colt is a professor of economics at ISER. Both have broad experience in studying issues related to Alaska's resources.

The report findings are those of the authors, not ISER, the University of Alaska Anchorage, or the research sponsors.



**UAA Institute of Social and Economic Research**  
UNIVERSITY of ALASKA ANCHORAGE

[www.iser.uaa.alaska.edu](http://www.iser.uaa.alaska.edu)

EDITOR: LINDA LEASK • GRAPHICS: CLEMENCIA MERRILL