



**NOAA**  
**FISHERIES**

# NMFS Cost Recovery

## Central Gulf Of Alaska Rockfish

2017



Sustainable  
Fisheries  
January 2018

## Cost Recovery

Under section 303A(e) of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act), costs for management and enforcement of individual fishing quota and other limited access privilege programs (LAPPs) are recoverable from participants. The Central Gulf of Alaska Rockfish Program (Rockfish Program) is a LAPP established under the provisions of section 303A of the Magnuson-Stevens Act; therefore, NMFS is required to collect fees for the Rockfish Program. The MSA also limits the cost recovery fee so that it may not exceed three percent of the ex-vessel value of the fish harvested under the Rockfish Program.

This report reviews the cost recovery requirements and responsibilities of fishery participants and NMFS. It also provides details on how the cost recovery fee is determined, along with specific information on Rockfish Program management and enforcement costs that are subject to cost recovery.

## Requirements and Responsibilities

NMFS issues cooperatives an annual cooperative quota (CQ) permit to fish under the Rockfish Program. Therefore, Rockfish Program cooperatives are responsible for paying cost recovery fees. Cost recovery fees are assessed on the ex-vessel value of primary and secondary species harvested under CQ in the Central Gulf of Alaska and waters adjacent to the Central Gulf of Alaska when rockfish primary species caught by vessels in the cooperative are deducted from the Federal total allowable catch. The cost recovery fees do not apply to halibut prohibited species catch CQ since that halibut cannot be retained for sale and, therefore, does not have an ex-vessel value. The cost recovery fees do not apply to Rockfish Program entry level longline fishery and opt-out vessels because those participants do not receive rockfish CQ.

### *For CQ Permit Holders*

CQ permit holders are responsible for fees owed for all Rockfish Program CQ landings on their permit. A CQ permit holder must submit any Rockfish Program cost recovery fee liability payment(s) to NMFS no later than February 15 of the year following the calendar year in which the CQ landings were made. Payment must be made electronically in U.S. dollars by automated clearing house, credit card, or electronic check drawn on a U.S. bank account.

***Penalties:*** Failure to pay on time may result in NMFS action against the permit holder's Rockfish Program CQ holdings and could result in additional monetary charges, fines, and/or permit sanctions. If a permit holder fails to pay by the February 15 due date, the permit holder's CQ automatically becomes nontransferable until the fee liability is satisfied. In addition, the permit holder may not receive CQ by transfer. Before penalties are issued, NMFS Operations and Management Division (OMD) delivers an Initial Administrative Determination (IAD), to which the permit holder must respond within 30 days. If an account is unpaid for 30 days after the due date, administrative fees, interest, and penalties start to accrue.

If the account is not paid within the 30 days provided by the IAD, in addition to fees, interest, and penalties, the permit holder's CQ permit account will be sanctioned and the permit holder will be unable to fish until the fee liability is satisfied. Additionally, no Rockfish Program CQ may be

issued based on the Rockfish Program QS held by the members of that cooperative to any other CQ permit for that calendar year. Additional fines may also apply.

### ***For Rockfish Processors***

A rockfish processor that receives and purchases landings of Rockfish Program CQ must annually submit to NMFS a complete Rockfish Ex-vessel Volume and Value Report for each reporting period for which the processor receives Rockfish Program CQ species. The reporting period of the Rockfish Ex-vessel Volume and Value Report extends from May 1 through November 15 of each year. A complete Rockfish Ex-vessel Volume and Value Report must be received by the NMFS not later than December 1 of the year in which the rockfish processor received the Rockfish Program CQ species.

### ***For NMFS***

At the end of each Rockfish Program fishing season, NMFS is responsible for these actions:

- ✓ compiles a list of all Rockfish Program landings by species and month;
- ✓ uses Rockfish Program Ex-vessel Volume and Value Report data to calculate a set of standard ex-vessel prices for fish landed;
- ✓ applies the appropriate standard ex-vessel price to each landing, creating a standard ex-vessel value for each landing;
- ✓ sums the total standard ex-vessel values of all landings to derive the fishery value of the year's Rockfish Program fisheries;
- ✓ compiles all direct management, data collection, and enforcement costs (direct program costs) attributable to the Rockfish Program;
- ✓ uses direct program costs and fishery value to calculate the annual fee percentage;
- ✓ applies the fee percentage to the value of a landing to determine the fee owed for each landing;
- ✓ sums the fees owed for all landings on the Rockfish Program CQ permits held by each permit holder. This final figure is the *annual fee* each permit holder owes; and
- ✓ mails Rockfish Program CQ permit holders a summary that itemizes their landings and shows their calculated fee.

### **The 2017 Rockfish Program Cost Recovery Fee Percentage**

NMFS announced that the 2017 IFQ fee percentage was set at 2.04 (83 FR 2964, January 22, 2018). Under cost recovery regulations, CQ permit holders who used their permits to make landings of Rockfish Program primary and secondary species during the 2017 Rockfish Program fishery are obligated to pay 2.04 percent of the total ex-vessel value from the sale of their Rockfish Program fish. The fee percentage derives from two sources:

- The fishery value of the Rockfish Program fisheries for 2017; and

- The direct program costs for the Rockfish Program as measured by actual expenditures during Federal fiscal year 2018.

These two components of the fee percentage are discussed below.

### *Fishery Value of the Rockfish Program Fisheries*

Fishery value is determined from ex-vessel prices for each Rockfish Program primary and secondary species throughout the fishing season. NMFS used the 2017 data submitted by rockfish processors on the Rockfish Ex-vessel Volume and Value Report to calculate the standard ex-vessel prices. To account for price variability, standard ex-vessel prices are calculated as weighted averages for each species and month. NMFS multiplied the amount of Rockfish Program species landed by month by the standard prices to calculate the standard ex-vessel values. The fishery value of the Rockfish Program fisheries is the sum of standard ex-vessel values for each Rockfish Program species and month. The fishery value of the Rockfish Program fisheries based on standard ex-vessel prices in 2017 was \$10,248,424.

### *Direct Program Costs for the Rockfish Program*

Direct program costs are the costs NMFS incurs to manage, collect data from, and conduct enforcement for the Rockfish Program fisheries. Note that direct program costs are incremental: the costs would not have been incurred except for the Rockfish Program. Cost recovery fees do not increase agency budgets or expenditures. The fee offsets funds that would otherwise have been appropriated for management of the Rockfish Program. No budgetary advantage is gained by inflating costs.

NMFS calculates Rockfish Program direct program costs for the Federal fiscal year (FY), which is October 1 through September 30. NMFS tracks costs by operating units, including NMFS Restricted Access Management (RAM), Information Services Division (ISD), Office of Law Enforcement (OLE), Sustainable Fisheries (SFD), Operations and Management Division (OMD), Alaska Fisheries Science Center (AFSC), NMFS Regional Administrator Office (RA), and the Alaska Department of Fish and Game (ADF&G).

Examples of the types of tasks that were included under the 2017 Rockfish Program direct program costs are:

- maintenance of electronic reporting systems, including the catch accounting system (ISD, ADF&G),
- programming and web design for online applications (ISD),
- determination of annual cooperative allocations of cooperative fishing quota (CQ) and prohibited species catch (PSC) (SFD),
- issuance of (CQ), responding to questions about CQ applications (RAM, RA),
- transfers of CQ, responding to questions about transfers (RAM),
- observer debrief (AFSC),
- catch monitoring control plan specialist (SFD),
- monitor cooperative fisheries CQ and PSC, answer questions on cooperative activities, respond to data requests (SFD),

- determination of standard ex-vessel prices using value and volume reports submitted by rockfish processors (SFD),
- fee determination and collection process (OMD),
- cost recovery report (SFD, OMD),
- analysis and rulemaking activities: regulations to allow NMFS to reapportion unused Chinook salmon prohibited species catch (Amendment 103) (SFD, RA).

### *Calculation of the 2017 Fee Percentage*

The annual fee percentage is calculated using the following formula:

$$[100 \times (DPC/V)]$$

NMFS divides the direct program cost (DPC) by the fishery value (V) of the Rockfish Program fisheries, and then multiplies by 100 to calculate a percentage. The result is the *fee percentage*. The component details to calculate the 2017 fee percentage are as follows:

**Table 1. Detail of formula for calculating the 2015 fee percentage**

Factor	Value	Activity
Cost (DPC)	\$208,666	divide by V
Fishery Value (V)	\$10,248,424	multiply by 100
=	2.04	

***Rate for 2017 Rockfish Program = 2.04 percent***

### **Summary of Direct Program Costs for 2017**

The 2017 fee liability percentage of 2.04 is 0.5 percent less than the 2016 fee percentage of 2.54 percent (82 FR 5533; January 18, 2017, and Table 3). Figure 1 illustrates the Rockfish Program direct costs, by operating unit, for all fiscal years from FY2013 through FY2017. Table 2 shows details of the program costs for FY 2017. The program costs are shown by operating unit and are broken into budget line items. Table 3 provides a time series summary of Rockfish Program annual harvest pounds, ex-vessel value, total program costs, and fee percentages for each year since the inception of the Rockfish Program cost recovery fee program.

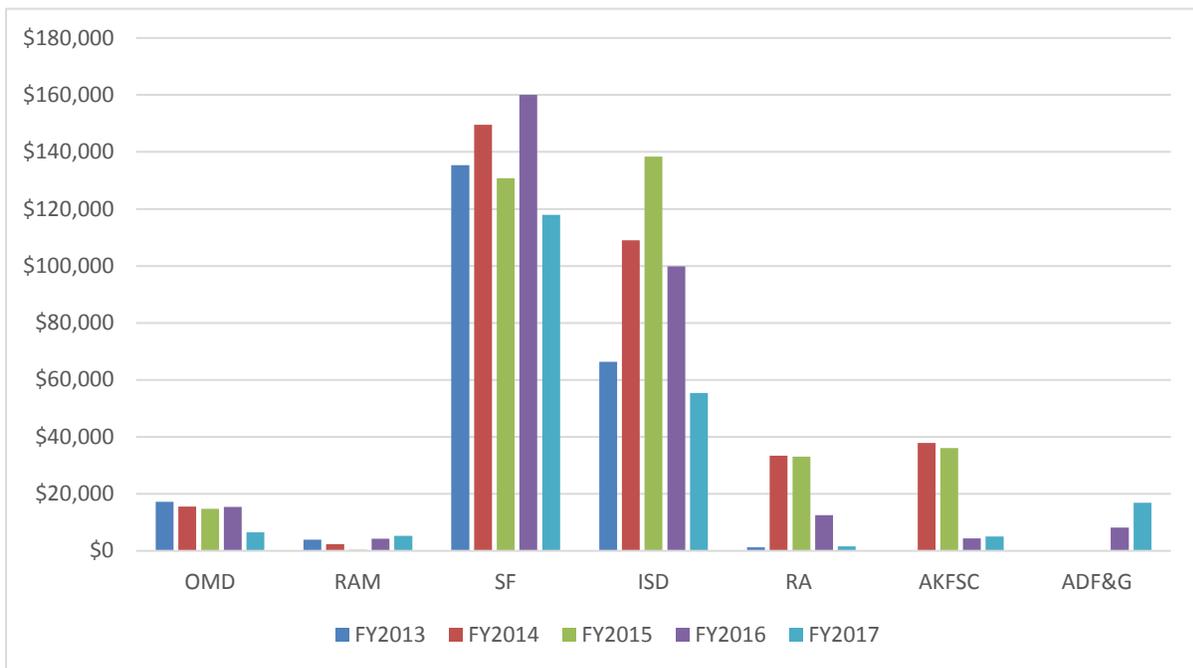
Overall, direct program costs for FY2017 (\$208,666) were less than all other years since FY2012. The reduced costs resulted in the lower fee percentage in 2017, although this was offset somewhat by a reduction in the value of fishery, which dropped from \$12.0 million in 2016 to \$10.2 million in 2017, and was lower than any of the previous three years.

The reduced costs are attributed primarily to reductions in personnel and contracting costs in the NMFS Sustainable Fisheries (SF) and Information Services Division (ISD). In previous years, higher contracting costs for ISD were due to software upgrades necessary for maintaining the catch accounting system. The Alaska Fisheries Science Center also registered lower costs over the last

two years by implementing efficiencies in deployment of at-sea observers. Beginning in FY2016, ADF&G began collecting costs for the Rockfish Program. ADF&G incurs annual direct program costs for the Rockfish Program during for maintenance of the eLandings electronic reporting system.

Calculation of the annual fee percentage relies on good reporting of price per pound of Rockfish Program landings by processors. For 2017, processors and cooperatives complied very well with cost recovery fee program requirements.

**Figure 1. Rockfish Program direct program costs by operating unit during fiscal years 2013 through 2017.**



**Table 2. Fiscal year 2017 Rockfish Program direct program costs by cost recovery component and operating unit.**

<b>Cost Recovery Component</b>	<b>Operations &amp; Mgmt. Div. (OMD)</b>	<b>Restricted Access Mgmt. (RAM)</b>	<b>Sustainable Fisheries Div (SFD)</b>	<b>Info. Services Div. (ISD)</b>	<b>Regional Admin. (RA)</b>	<b>Alaska Fisheries Science Center (AFSC)</b>	<b>Alaska Dept. Fish &amp; Game (ADF&amp;G)</b>	<b>Total</b>
Personnel Costs <sup>a</sup>	\$ 5,700	\$3,600	\$ 109,700	\$ 46,300	\$ 1,600	\$ 2,573	\$ 16,051	\$ 185,524
Travel <sup>b</sup>	\$ 800	-	\$ 1,800	\$ 1,700			-	\$ 4,300
Transportation <sup>c</sup>	-	-	-	-			-	-
Printing	-	-	-	-			\$ 40	\$ 40
Contracts/Training	-	-	-	-			\$ 828	\$ 828
Supplies	-	\$400	\$ 100	\$ 1,000			-	\$ 1,500
Equipment	-	-	\$ 4,300	-			-	\$ 4,300
Rent/Utilities <sup>d</sup>	-	-	\$ 2,000	\$ 6,400			-	\$ 8,400
Other	-	-	-	-		\$ 2,474	-	\$ 3,774
<b>Total</b>	<b>\$ 6,500</b>	<b>\$5,300</b>	<b>\$ 117,900</b>	<b>\$ 55,400</b>	<b>\$ 1,600</b>	<b>\$ 5,047</b>	<b>\$ 16,919</b>	<b>\$ 208,666</b>

<sup>a</sup> Personnel includes costs of locality pay, all benefits, and overhead.

<sup>b</sup> Travel includes per diem payments.

<sup>c</sup> Transportation includes shipment of items.

<sup>d</sup> Rent/Utilities includes costs of space and utilities and shared common space and services.

**Table 3. Rockfish Program cost recovery from 2012 through 2017.**

<b>Year</b>	<b>Pounds landed</b>	<b>Fishery Value</b>	<b>Total Program Costs</b>	<b>Calculated Fee Percentage</b>	<b>Actual Fee Percentage</b>
<b>2017</b>	40,587,961	\$ 10,248,424	\$ 208,666	2.04%	2.04%
<b>2016</b>	49,777,303	\$ 12,009,975	\$ 304,684	2.54%	2.54%
<b>2015</b>	45,152,020	\$ 11,117,262	\$ 361,790	3.3%	3.0% <sup>a</sup>
<b>corrected 2014</b>	44,016,252	\$ 10,505,776	\$ 345,948	3.3%	3.0% <sup>a</sup>
<b>2014<sup>b</sup></b>	25,618,470	\$ 6,265,656	\$ 345,948	5.5%	3.0% <sup>a</sup>
<b>2013</b>	36,222,525	\$ 8,716,340	\$ 224,059	2.5%	2.5%
<b>2012</b>	40,963,090	\$ 14,340,362	\$ 194,562	1.4%	1.4%

<sup>a</sup> These billed percentages were limited by the Magnuson-Stevens Act statutory 3 percent cap of the ex-vessel value of the fishery in any Program year.

<sup>b</sup> The pounds landed and fishery value for 2014 as reported in the *Federal Register* notice (80 FR 6053; February 4, 2015), however, NMFS subsequently determined that the landings and value from the catcher/processor sector were incorrectly excluded for 2014. However, the fee percentage remained at the 3 percent cap.