NOAA FISHERIES

Sustainable Fisheries

CDQ Program Cost Recovery for Fishing Year 2017

January 2018

Cost recovery

Section 304(d) of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act) authorizes and requires the collection of cost recovery fees for limited access privilege programs and the Community Development Quota (CDQ) Program. Cost recovery fees recover the actual costs directly related to the management, data collection, and enforcement of the programs. Section 304(d) of the Magnuson-Stevens Act mandates that cost recovery fees not exceed three percent of the annual ex-vessel value of fish harvested by a program subject to a cost recovery fee, and that the fee be collected either at the time of landing, filing of a landing report, or sale of such fish during a fishing season or in the last quarter of the calendar year in which the fish is harvested.

On January 5, 2016, NMFS published a final rule to implement cost recovery for the CDQ program (81 FR 150). The CDQ Program allocates a portion of the total allowable catches of Bering Sea and Aleutian Islands (BSAI) groundfish species and halibut to CDQ groups. The CDQ groups are responsible for paying the fee for fish landed under the CDQ Program, due on December 31 of the year in which the landings were made. Cost recovery requirements for the CDQ groups are at 50 CFR 679.33. The total dollar amount of the fee due is determined by multiplying the NMFS published fee percentage by the ex-vessel value of all landings under the program made during the fishing year. NMFS published this notice of the fee percentages for the CDQ program in the **Federal Register** on November 28, 2016 (81 FR 85522). NMFS calculates the fee percentage each year according to the factors and methods described at 50 CFR 679.33(c)(2). NMFS determines the fee percentage that applies to landings made during the year by dividing the direct program costs by the fishery value.

CDQ Program cost recovery fee

Calculating the ex-vessel value of the CDQ Program fisheries

For purposes of calculating the fishery value, NMFS calculates a standard ex-vessel price (standard price) for all CDQ species: BSAI arrowtooth flounder, BSAI Greenland turbot, BSAI rock sole, BSAI yellowfin sole, BSAI Pacific cod, BSAI flathead sole, AI Pacific ocean perch, BSAI sablefish, BSAI halibut, and BSAI Atka mackerel.

NMFS calculates an annual standard price for BSAI arrowtooth flounder, BSAI Greenland turbot, BSAI yellowfin sole, BSAI flathead sole, AI Pacific ocean perch, trawl-caught BSAI sablefish, and BSAI Atka mackerel based on volume and value information reported in the First Wholesale Volume and Value Report, which included data from January 1 through October 31. For BSAI rock sole, NMFS calculates a standard price for two time periods—February 4 through March 31 and April 1 through October 31—also based on volume and value information reported in the First Wholesale Volume and Value Report.

For fisheries that are primarily harvested by catcher/processors, there is no reliable ex-vessel price generated from the sale of fish from a harvester to a processor. Therefore, NMFS estimates the ex-vessel price for those fishery species by using reported information on the first wholesale price from trawl catcher/processors that harvest CDQ species. The first wholesale price is the market price of the primary processed fishery product. The estimated standard ex-vessel price is the value of processed products from catcher/processors divided by the retained round-weight (unprocessed weight) of catch and multiplied by a factor of 0.4 to correct for the value added to the fish product by processing.

NMFS calculates an annual standard price for CDQ Program trawl and fixed gear Pacific cod using volume and value data reported in the Pacific Cod Ex-Vessel Volume and Value Report by shorebased processors that receive BSAI Pacific cod landings. For 2017, the Pacific Cod Ex-Vessel Volume and Value Report includes data from January 1 through October 31.

NMFS calculates an annual standard price for CDQ fixed gear halibut and for CDQ fixed gear sablefish. The standard prices are the same as the Bering Sea port group prices calculated under the Observer Fee Program, which uses volume and value information reported annually on the IFQ Registered Buyer Ex-Vessel Volume and Value Report. For 2017, the IFQ Buyer Report includes data from October 1, 2016 through September 30, 2017.

Each landing made under the program is multiplied by the appropriate standard price to arrive at an ex-vessel value for each landing. These values are summed together to arrive at the ex-vessel value of the CDQ Program fisheries (fishery value).

Calculating the costs of management and enforcement

Direct program costs are calculated by determining the incremental management costs of the CDQ Program, that is, costs that would not have been incurred but for the CDQ Program. These costs cover the management, data collection, and enforcement of the CDQ Program by NMFS and ADFG. The NFMS management units that incur direct program costs are: the Sustainable Fisheries Division (SFD), the Restricted Access Management Division (RAM), the Operations and Management Division (OMD), the Information Systems Division (ISD), the Alaska Fisheries Science Center (AFSC), and the Office of Law Enforcement (OLE).

Throughout the year, each management unit calculates their CDQ Program incremental costs through an established accounting system that allows staff to track labor, travel, contracts, rent, and procurement. These costs are tracked for the Federal fiscal year (October 1 through September 30) and broken out by cost categories including personnel/overhead, travel, transportation, printing, contracts/training, supplies, equipment, and rent/utilities. For 2016, direct program costs were calculated from February 4 to September 30 (the effective date of the final rule to implement the cost recovery program). In 2017, and in future years, direct program costs will include the full fiscal year. Table 2 displays the direct program costs for the CDQ Program for 2017.

Cost recovery fees do not increase agency budgets or expenditures. They simply offset funds that would otherwise have been appropriated, except the ADFG expenditures for which there is no direct appropriation. No budgetary advantage is ever gained by inflating direct program costs.

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

- implementation of new cost recovery program (SFD, ISD, OMD),
- analysis and rulemaking activities: Amendment 109 (SFD),
- maintenance of the catch accounting system (ISD, ADF&G),

- programming and web design for online applications (ISD),
- patrols, investigations, outreach and education, and compliance assistance (OLE)
- responding to questions about permits (RAM),
- at-sea scale inspections (SFD),
- observer sampling station inspections (AFSC),
- video equipment inspections (SFD),
- fee determination and collection process (OMD)

Calculating the annual fee percentage

NMFS computes the annual fee percentage by dividing the direct program costs by the total fishery value of CDQ landings. The annual fee percentage is calculated using the following formula:

[100 x (DPC)/V]

The formula shows that the direct program costs (DPC), multiplied by 100, and is then divided by the fishery value (V). The result is the *fee percentage*.

The annual fee percentage is published in the *Federal Register* by December 1 and is applied to all landings of CDQ species that occurred that year. NMFS provides a summary of fee liabilities to all CDQ groups by December 1. The summary explains the cost recovery fee determination for each group including the current fee percentage, details of CDQ Program pounds debited from allocations by permit and date, and the standard prices for the landings.

Calculating the 2016 fee

The fee percentage for the CDQ Program is 0.55 percent. Table 1 shows the fee percentage computation.

Table 1. Detail of formula for calculating the 2017 fee percentage for the CDQ Program.

Factor	Value	Activity
Direct Program Cost (DPC)	$447,580	divided by
Total Fishery Value (V)	$81,718,378	times 100
=	0.55	yields
Fee percentage for 2017 CDQ Program = 0.55 percent		

Payment of cost recovery fees

NMFS sends fee statements to CDQ groups based on the group's reported landings for the most recent fishing year for all CDQ Program species and value as computed for fee collection purposes. The CDQ group is responsible for submitting payment to NMFS on or before December 31 of the year in which landings are made. Fees must be paid electronically.

If a CDQ group fails to pay on time, OMD will issue an Initial Administrative Determination to which the group 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. NMFS may take action against the CDQ group's groundfish and halibut allocations and assess additional monetary charges, fines, or permit sanctions. If after 120 days the fee remains unpaid, the unpaid balance is forwarded to the U.S. Department of the Treasury for collection.

Details on Cost Categories

Table 2 indicates that in 2017, the highest direct program costs to the CDQ Program were attributed to the Office of Law Enforcement. Enforcement costs are proportionately higher in the CDQ Program due to the more complex regulatory construct of the program, which requires more resources to manage and enforce. Additionally, OLE implemented comprehensive methodologies in 2017 for the accounting of direct program costs in the Community Development Quota Program, as well as for costs in the American Fisheries Act and Amendment 80 Programs.

Table 3 compares direct costs between FY2016 and FY2017. As noted above, costs were substantially higher in FY2017 due to the mid-year implementation of the program in FY2016 and the resulting partial accounting of costs for that year.

Table 2. Fiscal Year 2017 direct program costs for the CDQ Program.

	Operations & Mgmt Div (OMD)	Restricted Access Mgmt (RAM)	Sustainable Fisheries Div. (SFD)	Info Services Div. (ISD)	Office of Law Enfcmnt. (OLE)	Alaska Fisheries Science Center (AFSC)	Alaska Dept. Fish & Game (ADFG)	Total
Personnel Costs[a]	$ 2,500	$ 6,800	$ 32,000	$ 27,900	$ 180,284	$ 35,713	$ 56,577	$ 341,867
Personnel Benefits	$ 800	$ 3,000	$ 10,700	$ 10,500	-	-	-	$ 25,000
Travel[b]	$ 200	-	$ 3,700	-	-	$ 76	$ 1,232	$ 5,208
Transportation[c]	-	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	$ 150	$ 150
Contracts / Training	-	-	-	-	-	-	$ 884	$ 884
Supplies	-	-	-	$ 1,600	-	-	-	$ 1,800
Equipment	-	-	$ 200	-	-	-	-	-
Rent / Utilities[d]	$ 600	$ 1,524	$ 5,508	$ 5,108	$ 48,292	-	-	$61,032
Grants	-	-	-	-	-	$ 11,732	-	$ 11,732
Total	$ 4,100	$ 11,324	$ 52,108	$ 45,108	$ 228,576	$ 47,521	$ 58,843	$ 447,580

[a] Personnel costs includes locality pay and overhead.
[b] Travel includes per diem payments.
[c] Transportation includes shipment of items.
[d] Rent/Utilities includes costs of space and utilities and shared common space and services.

Table 3. Comparison of Direct Costs for Fiscal Years 2016 and 2017
For the CDQ Program

Cost Category	FY 2016 *	FY 2017
Personnel/Overhead	$ 98,209	$ 331,867
Personnel Benefits	$ 13,900	$ 25,000
Overhead	$ 8,901	$ 9,908
Travel	$ 2,057	$ 5,208
Transportation	-	-
Printing	-	$ 150
Contracts/Training	$ 69,737	$ 884
Supplies	$ 3	$ 1,800
Equipment	-	-
Rent/Utilities	-	$ 61,032
Other	$ 10,578	$ 11,732
Total Direct Costs	$ 203,384	$ 447,580
Fishery Value	$68,979,512	$81,718,378
Fee Percentage	0.29	0.55

FY 2016 was the first year of the cost recovery program for the CDQ fisheries. The program was not implemented until mid-way into the fiscal year. As a result, management costs were calculated only for the period from February 4 to September 30, 2016.