Draft Discussion Paper – Cost Recovery Processes and Timing

March 24, 2025[1]

1 Introduction

At the December 2024 North Pacific Fishery Management Council (Council) meeting, the Council received a report reviewing the Pacific Halibut and Sablefish Individual Fishing Quota Program (IFQ Program) where the National Marine Fisheries Service (NMFS) recommended initiating a regulatory change to adjust the timing of the annual cost recovery process to address and remedy current time constraints for this annual process.[2] The Council then requested preparation of a discussion paper to inform options to adjust the annual timing and administrative processes for all of the Council's cost recovery and fee collection programs.[3] This paper addresses the Council's request for a discussion paper and aims to identify inefficiencies and challenges faced by stakeholders and NMFS as well as opportunities to improve clarity, consistency, and efficiency within the cost recovery processes administered by NMFS' Alaska Regional Office (AKR).

NMFS is providing this draft discussion paper as an initial step. Since the December Council meeting, NMFS staff have had limited capacity to explain all of the issues associated with the annual cost recovery process. However, this document provides information for the Council and the public to begin to

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[2] Section 2.12.6.4 of the Sablefish and Halibut Individual Fishing Quota Program Review Council Review Draft, December 2024. Available under Agenda item D5 at: https://meetings.npfmc.org/Meeting/Details/3066.
[3] December 2024 Council motion on Cost Recovery and Timing. Available under Agenda item E1 at: /https://meetings.npfmc.org/CommentReview/DownloadFile?p=d40533d6-d87d-44f0-bd21-f4128d89de7e.pdf&fileName=E%20MOTION%20Cost%20Recovery.pdf

understand the data, timing, process complexities and challenges with the multiple annual cost recovery programs and identify potential solutions for additional analysis.

2 Summary of Fee Collection Programs

The Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act) authorizes and requires the collection of cost recovery fees for the Community Development Quota (CDQ) Program and limited access privilege programs (LAPPs). Cost recovery fees recover the actual costs directly related to the management, data collection, and enforcement of the programs. AKR currently administers eight cost recovery programs and two monitoring fee collection programs. Six of the cost recovery programs and the two monitoring fee programs have been implemented since 2010. Each program has unique features and timing developed to meet the specifics needs for each fishery.

AKR administers the following 8 cost recovery programs:

- Crab Rationalization (CR) Program – Bering Sea and Aleutian Islands (BSAI) crab fisheries.
- Rockfish (RP) Program – Central Gulf of Alaska rockfish fisheries.
- Amendment 80 (A80) Program – BSAI non-pollock trawl catcher/processors.
- American Fisheries Act (AFA) Program – Bering Sea directed pollock fishery.
- Western Alaska Community Development Quota (CDQ) Program – Allocates a portion of total allowable catch to eligible Western Alaska communities.
- Pacific Halibut and Sablefish Individual Fishing Quota (IFQ) Program – Pacific halibut and sablefish fixed-gear fisheries.
- Pacific Cod Trawl Cooperative (PCTC) Program - BSAI trawl catcher vessel Pacific cod fishery during the A and B seasons.
- Aleutian island Pollock (AIP) - Aleutian Islands Pollock fishery allocated to the Aleut Corporation

Additional background information on the cost recovery programs is included in the 2024 Cost Recovery Report for Alaska and is not repeated here.

2.1 Volume and Value Reports

Various data sources are used to calculate standard ex-vessel prices required to estimate total fishery value including buying information required to be submitted by the State of Alaska from shoreside processors and motherships. Additional data reports are required by federal regulations which may be combined with data submitted to the State of Alaska. Federal reporting requirements include data submitted by various operations at differing times for variable reporting periods. The following tables summarize the volume and value reports used by each program and the relative timing of the fee calculation process (i.e., before fishing occurs vs. after).

Table 1. Summary of Volume and value reports, respondents, and timing of data submission used in AKR cost recovery and fee collection programs.

Report Name	Submitted By:	Reporting period	Due Date
CR Registered Crab Receiver Ex-vessel Volume and Value Report § 680.5(m)	RCR that operates as a shoreside processor or stationary floating crab processor and receives and purchases landings of CR crab for each reporting period in which the RCR receives CR crab	Aug 1 - May 31	May 31
IFQ Registered Buyer Ex-vessel Volume and Value Report (IFQ Buyer Report) § 679.5(l)(7)(i)	IFQ Registered Buyers that operate as shoreside processors and receive and purchase IFQ landings of sablefish or halibut or CDQ landings of halibut	Oct 1 - Sept 30	Oct 15
Pacific Cod Ex-vessel Volume and Value Report § 679.5(u)(1)	Shoreside processor designated on an FPP or a mothership designated on an FFP and that processes landings of either CDQ Pacific cod or BSAI Pacific cod harvested by a vessel using trawl gear for each reporting period for which received Pacific cod A PCTC processor (as defined at 50 CFR 679.2) that receives and purchases landings of PCTC CQ for each reporting period for which the PCTC processor receives PCTC CQ	Jan 1 - Oct 31	Nov 10
First Wholesale Volume and Value Report § 679.(5)(u)(2)	An Amendment 80 vessel owner that harvests groundfish species, other than Pacific cod	Jan 1 - October 31	Nov 10
Rockfish Ex-vessel Volume and Value Report § 679.5(r)(10)	Shoreside processors that receive Rockfish Program CQ groundfish	April 1 - Nov 15	Dec 1
Commercial Operator's Annual Report (COAR) § 679.5(p), 5 AAC 39.130	Motherships, C/Ps with an FFP, and shoreside processors	Jan 1 - Dec 31	April 1

Table 2. Summary of Cost Recovery and Fee collection Programs, year of implementation, data sources used to calculate volume and value of the fishery, and how the resulting fee percentage is applied to landings in the fishery for the purpose of fee liability.

Program	Year Implemented	Type of LAPP or permit	Volume and Value Report used to calculate standard prices	Fee percentage applied (Retrospective/ Prospective)[1]
IFQ	2000	Individual	IFQ Buyer Report	Retrospective
CR	2005	Individual	CR Registered Crab Receiver Ex-vessel Volume and Value Report	Prospective
RP	2011	Cooperative	Rockfish Ex-vessel Volume and Value Report	Retrospective
CDQ	2016	Cooperative	Pacific Cod Ex-vessel Volume and Value Report, First Wholesale Volume and Value Report, IFQ Buyer Report, and COAR[2]	Retrospective
AFA	2016	Cooperative	COAR[2]	Retrospective
AIP	2016	Cooperative	COAR[2]	Retrospective
A80	2016	Cooperative	Pacific Cod Ex-vessel Volume and Value Report and First Wholesale Volume and Value	Retrospective
PCTC	2023	Cooperative	Pacific Cod Ex-vessel Volume and Value Report	Retrospective
Observer Fee	2012	FPP	**Groundfish:** COAR[2], and Shoreside processor, SFP, or CQE floating processor landing report (50 CFR 679.5(e)(5)). **Fixed gear halibut and Sablefish:** IFQ Registered Buyer Ex-vessel Volume and Value Report (IFQ Buyer Report)	Prospective
Trawl EM fee	2024	Approval of placement in the Trawl EM Category	COAR[2]	Retrospective

[1]Retrospective means fee percentage is established at the end of the fishing season after landings have occurred. Prospective means the fee percentage is established before the fishing season begins.
[2]The State of Alaska Commercial Fisheries Entry Commission (CFEC) compiles COAR data and landing reports to produce the CFEC gross earnings data which are shared with AKR and used in the annual cost recovery process to produce standard prices.

2.2 Steps in the Cost Recovery Annual Process

There are similarities across the numerous sequential steps in the annual cost recovery process for each program. These annual processes require coordination among AKR divisions (Sustainable Fisheries, Restricted Access Management, Operations and Management, and Information Services) and with partners (Alaska Department of Fish and Game, Commercial Fisheries Entry Commission, International Pacific Halibut Commission, Alaska Fisheries Science Center, Pacific States Marine Fisheries Commission, and NOAA Office of Law Enforcement). The cost recovery process is described in detail in Section 3 of the 2024 Cost Recovery Report for Alaska and the general sequence of steps is summarized here:

- Compiling and validating program specific landings by species and month;
- Validating volume and value report submissions
- Calculating and validating standard ex-vessel prices;
- Applying standard ex-vessel prices;
- Deriving and validating the total fishery ex-vessel value;
- Compiling and reviewing the incremental agency costs;
- Calculating the annual fee percentage;

- Publishing notice of standard ex-vessel prices and fee percentage in the Federal Register
- Applying the fee percentage and calculating fees;
- Generating and validating invoices;
- Mailing permit holders or cooperatives invoices, tracking payments, and sending notices for non-payment.

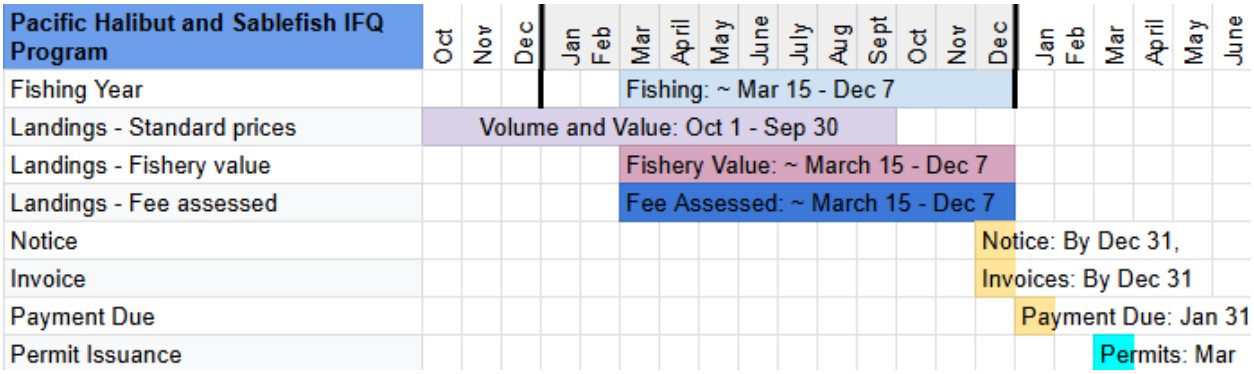
2.3 Timing of the Cost Recovery Annual Processes

This section outlines the annual timing and administrative processes for each of the Council's cost recovery programs. Because the same staff work on the cost recovery process for all these programs, it is important to understand the timing across all the programs. The next section (Section 3) describes some of the challenges and particular timing constraints for specific programs.

2.3.1 Pacific Halibut and Sablefish IFQ Program

The fee notices for the IFQ Program need to be sent by December 31. Prior to 2021, the IFQ Program closed by November 18, allowing for all landings to be reported by December 1, and allowing NMFS one month to conduct the necessary calculations for fee issuance by December 31. However, in 2021, the IPHC extended the season, resulting in a longer IFQ season that does not close until December 7.

Figure 1. Timing of the IFQ Program fishing year, landings used to calculate standard ex-vessel prices, landings used to estimate the total fishery value, and landings used to calculate cooperative fee liabilities.



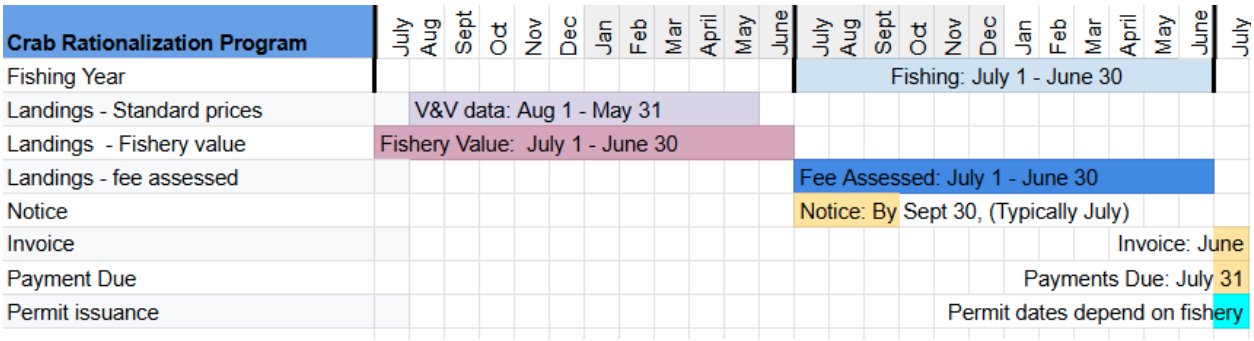
2.3.2 Crab Rationalization Program

Under Federal regulations, the crab year for the Crab Rationalization Program cost recovery is July 1 through June 30 of the following calendar year. Season dates for each specific Crab Rationalization fishery are set by the State of Alaska and historically, by State regulation, the first fishery in the crab year has opened on August 1 and the last fishery has completed by May 31. As a result, NMFS historically had two months to complete the fee assessment process during a period of no fishing between June 1 and August 1. However, in recent years the State of Alaska has opened the first fishery in the crab year in July, sometimes as early as July 1. Such changes have shortened the available time for fee assessments, particularly at the start of the fishing season in July. The timing of the annual cost recovery process has, at times, constrained when vessels could begin fishing in the Aleutian Islands Golden King Crab fishery because all fees must be paid prior to NMFS issuing IFQ permits. In June 2021, the Council requested a discussion paper to consider potential changes to the Aleutian Islands golden king crab fishery that would identify potential regulatory and administrative changes necessary to allow the permits to be issued prior to August 1.[4] Despite some crab fisheries now extending through May, Registered Crab Receiver (RCR) volume and value reports continue to be due by May 31 of each year by regulation (50 CFR 680.5(m)(3)).

[4]Council Motion - AI golden king crab is available under Agenda Item E1 at: https://meetings.npfmc.org/Meeting/Details/2104.

As shown in Figure 2., the fee percentage is calculated based on the program costs and fishery value for the previous crab fishing year and that percentage is applied to landings during the crab fishing year and invoices are issued at the end of the crab fishing year and paid prior to the start of the next, which adds additional complexity to cost recovery. Assessed fees are based on the standard prices and fishery value of landings from the prior fishing year, but are applied to the landings of the current year. This creates a one year offset in the fee liabilities.

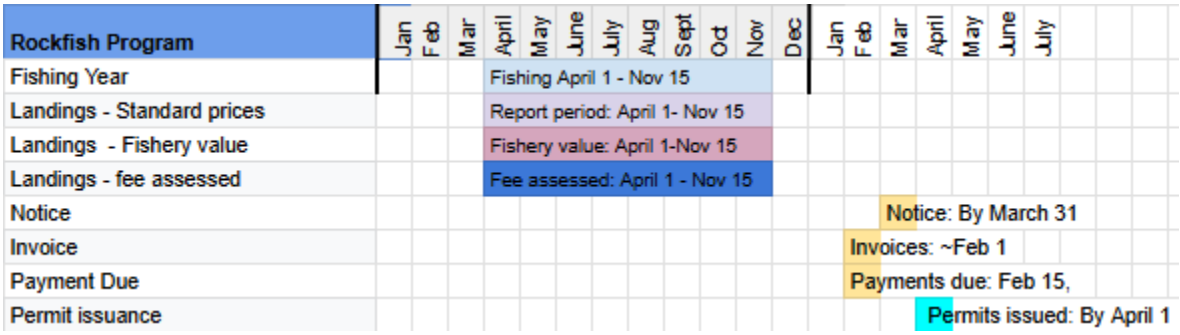
Figure 2. Timing of the Crab Rationalization Program, landings used to calculate standard ex-value prices, landings used to estimate total fishery value, and landings used to calculate fee liabilities.



2.3.3 Rockfish Program

The timing of data used in the Rockfish Program cost recovery process is an example of complete alignment of the data used to calculate the standard prices, fishery ex-vessel value, and fee liabilities. Figure 3 below illustrates that because the fishing season is less than a full year, there is time during the non-fishing time to gather the data necessary to calculate the standard ex-vessel prices, and estimate the total fishery value, publish the notice in the Federal Register, issue invoices and provide enough time for participants to pay those bills prior to the start of the issuance of fishing permits for the subsequent fishing season. This is only possible because the fishing season is less than 7 months long and the fishing season dates are set in regulation so there is no annual variation to the timing of when fishing may occur. Other programs with longer seasons and different data sources do not allow for this type of complete alignment of the different landings used in each stage of the fee calculation process.

Figure 3. Timing of the Rockfish program fishing year, landings used to calculate standard ex-vessel prices, landings used to estimate the total fishery value, and landings used to calculate cooperative fee liabilities

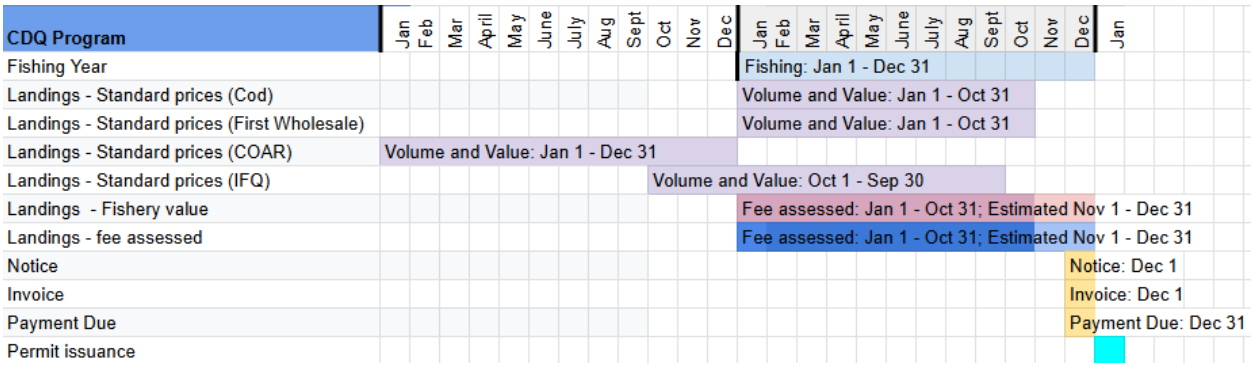


2.3.4 Western Alaska CDQ Program

Fees for the CDQ Program uses the standard prices of the current year for Pacific cod, Atka mackerel, arrowtooth flounder, Pacific ocean perch, flathead sole, rock sole, yellowfin sole and halibut and sablefish caught with fixed gear. COAR reports from the prior year are used for standard prices for other species. These provide value for fee assessment based on landings in the CDQ Program in the current year. Due to the year-round nature of the fishery, the fishery value and fee liabilities for November and December

must be based on projections, rather than actual landings. The variability of catch composition and unpredictable harvest patterns in this Program leads to additional challenges in this projection and introduces uncertainty. Fee liabilities are reconciled with actual landings and fee liabilities during the following year's Cost Recovery Annual Process.

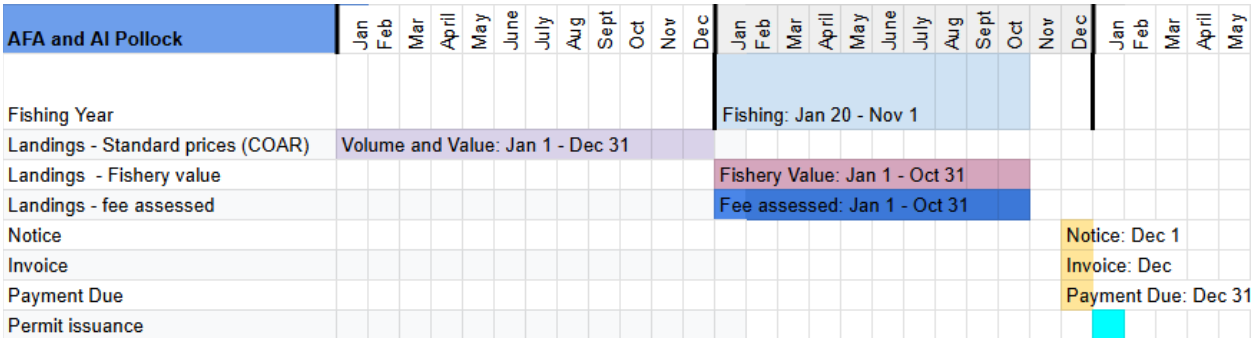
Figure 4. Timing of the CDQ Program fishing year, landings used to calculate standard ex-vessel prices, landings used to estimate the total fishery value, landings used to project anticipated landings in November and December, and landings used to calculate fee liabilities.



2.3.5 AFA Program and AI Pollock

As illustrated below in Figure 5, the standard prices from the previous year's landings are applied to the current year. These prices impact the fees assessed on the current year's landings, which are paid for by December 31. Directed fishing for pollock ends in early November, allowing NMFS time to calculate standard prices, ex-vessel value, and fee liabilities.

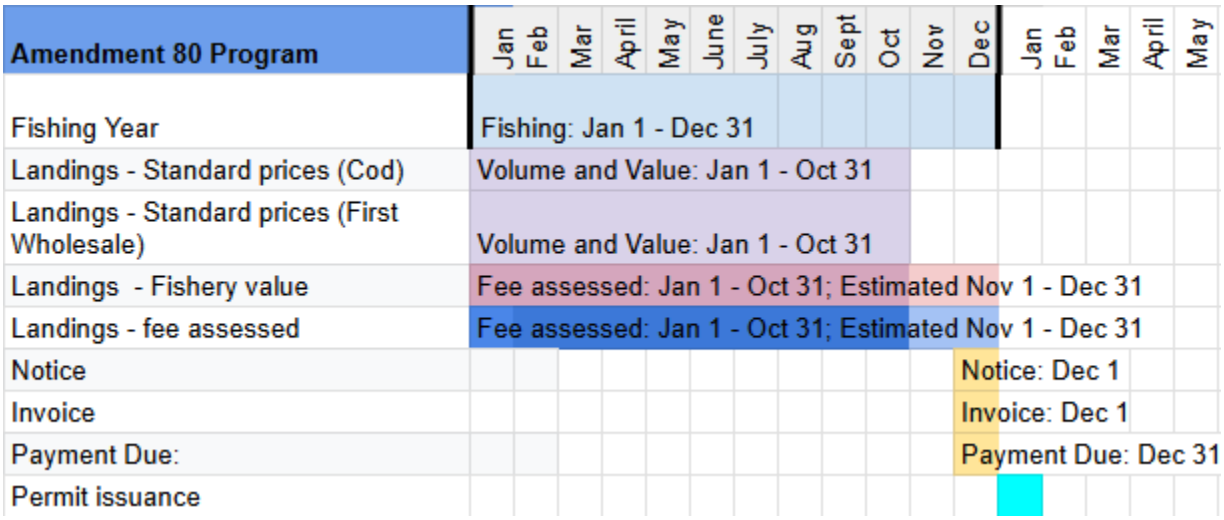
Figure 5. Timing of the AFA and AI Pollock Programs fishing years, landings used to calculate standard ex-vessel prices, landings used to estimate the total fishery value, and landings used to calculate fee liabilities.



2.3.6 Amendment 80 Program

The standard prices of the current year are assessed on landings in the Amendment 80 Program. Due to the year-round nature of the fishery, the fishery value and fee liabilities for November and December must be based on projections, rather than actual landings. The variability of catch composition and unpredictable harvest patterns in this Program leads to additional challenges in this projection and introduces uncertainty. Fee liabilities are reconciled with actual landings and fee liabilities during the following year's Cost Recovery Annual Process.

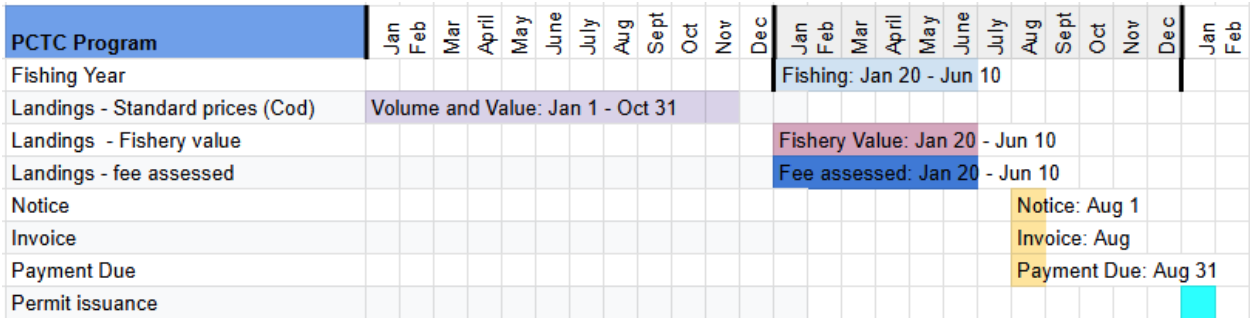
Figure 6. Timing of the Amendment 80 Program fishing year, landings used to calculate standard ex-vessel prices, landings used to estimate the total fishery value, landings used to project anticipated landings in November and December, and landings used to calculate fee liabilities.



2.3.7 PCTC Program

As illustrated below in Figure 7, the standard prices from the previous year's landings are applied to the current year. These prices impact the fees assessed on the current year's landings, which are paid for by August 31. The PCTC Program ends in early June, allowing NMFS time to calculate standard prices, ex-vessel value, and fee liabilities.

Figure 7. Timing of the PCTC Program fishing year, landings used to calculate standard ex-vessel prices, landings used to estimate the total fishery value, and landings used to calculate fee liabilities.



3 Challenges and Possible Solutions

Most of the cost recovery programs have regulatory timelines and processes that are not in sync with the fishing seasons. These timing concerns are most acute with the IFQ and Crab Rationalization Programs. Other cost recovery programs would benefit by taking a holistic look and identifying solutions and efficiencies across all programs. If we proceed with addressing challenges for the IFQ program as highlighted in the program review, it would be a great opportunity to examine all cost recovery programs to improve regulatory consistency, reduce confusion for fishery participants across programs, and reduce costs to improve administrative efficiency.

The administration of cost recovery processes across all AKR programs is extremely complex and requires additional exploration of the challenges to fully flesh out the full range of options that could maximize efficiency and streamline the administrative processes. This paper includes input from some technical experts, however due to staff availability to focus on this paper and the recent vacancy of the

cost recovery fee coordinator, some of the challenges described in this paper require additional study and input from technical experts that were not available during the development of this discussion paper. As such, NMFS has not put forward solutions to all of the challenges identified and recommends additional examination and analyses before identifying potential solutions. However, some suggestions are included and discussed below, in particular related to the IFQ Program due to the recent IFQ Program review and subsequent Council action (see Section 1).

The following sections describe the challenges and, in some cases, potential solutions. **Additional challenges and potential solutions may exist that have not yet been described in this document. We welcome feedback from the Council and the public on these ideas.**

3.1 IFQ Season Timing

Since 2021, the IPHC has extended the fishing season dates for the IFQ Program, reducing the amount of time NMFS has to calculate the fishery ex-vessel value used to generate the fee percentage and determine individual fee liabilities. The administrative steps necessary to assess fees for the halibut and sablefish IFQ fisheries have been programmed to run concurrently for all IFQ holders and therefore the sablefish IFQ process is dependent upon the halibut IFQ process. The IFQ cost recovery process is not designed in a way to accommodate a fishing season that could remain open through December. Since the program's implementation in 1995 and until 2021, the IFQ season had not extended beyond November 18. The regulatory and administrative processes for the IFQ cost recovery program are structured to include all landings made during the fishing year in the end-of-year fee calculation process. Because of this, the calculation of the fee percentage cannot begin until all landings from the fishing season have been completed.

In years when the season ended by mid-November, all landings would be recorded by December 1, allowing NMFS time to check the data for quality control, calculate the fee percentage, and issue invoices in early December. Table 1 shows the timing of publishing the fee notice in the Federal Register and the date of invoice mailing.

When the IFQ season end date is December 7, the calculation process typically cannot begin until at least mid December, leaving NMFS with two weeks or less to calculate and validate both the ex-vessel value and calculate individual fee liabilities. This delay results in a later publication of the fee notice and a later issuance of fee liability statements. This condensed timeline also occurs over the holidays with fewer actual work days to finish these complex issues and staff availability becomes a concern. When issues are noticed, there are limited staff with the expertise necessary to address these issues before publication and invoicing must occur per regulation. By regulation, the fee notice must be published in the last quarter of the calendar year by December 31, and fee payments are due no later than January 31. Additionally, all fee invoices must be paid in full before any IFQ can be issued for the next season opening in March.

An example of what occurs when there are these time constraints arose in December 2024, when NMFS published a fee notice with incorrect information and sent invoices to halibut and sablefish IFQ permit holders impacted by a technical issue affecting certain fee liability statements. Due to an error, the value of some landings were incorrectly calculated as zero, leading to an undervaluation of the IFQ fishery and omissions in the fee liability statements. The error was discovered and resolved before December 31 and AKR issued corrected fee liability statements as well as a correction to the fee notice published in the Federal Register. The fee percentage did not change as a result of the error and continued to be capped at 3% after the fishery value was corrected. To prevent this from occurring in the future, additional steps for validating fishery value and invoices will be added. This adds more tasks to an already constraining schedule, highlighting the problem to address these time constraints imposed by regulations.

The same data source that is used to calculate the standard prices for the purpose of the IFQ Program cost recovery are also used to calculate the Observer Program standard prices, however the fishing year to which the calculated standard prices are applied differ and the calculation methods have differences. In the case of observer fees, the standard prices are calculated and published before fishing occurs (prospective) and for IFQ cost recovery, the standard prices are calculated and published after fishing occurs (retrospective). The standard prices for observer fees are annual prices and for cost recovery are monthly. The composition of the ports in some port groupings, used to meet confidentiality standards, also have slight differences between the two programs.

Table 3. Standard Price and fee Percentage notice publication date 2010 through 2024.

Year	Season end date	Notice publication date
2010	Nov 15	Dec 10, 2010
2011	Nov 18	Dec 12, 2011
2012	Nov 7	Dec 4, 2012
2013	Nov 7	Dec 4, 2013
2014	Nov 7	Dec 9, 2014
2015	Nov 7	Dec 16, 2015
2016	Nov 7	Dec 13, 2016
2017	Nov 7	Dec 20, 2017
2018	Nov 7	Dec 12, 2018
2019	Nov 14	Dec 20, 2019
2020	Nov 15	Dec 18, 2020
2021	Dec 7	Dec 29, 2021
2022	Dec 7	Dec 28, 2022
2023	Dec 7	Dec 28, 2023
2024	Dec 7	Dec 26, 2024

Potential Solutions:

1) **Change or remove dates set in regulation for cost recovery processes to be more responsive to annual fishing season dates.**

The Cost Recovery processes for several programs are constrained by variable, extended fishing season dates resulting in reduced timeframes for NMFS staff to complete administrative processes. Although fishing season dates can vary year to year, due dates for fee determination or publication of fee percentage in the Federal Register remain unchanged (50 CFR 680.44(a)(2)(iii); 50 CFR 679.45(d)(3)(i)). If cost recovery fee and reporting dates were flexible or more reflective of fishing season opening and closing dates, NMFS could have more time to complete cost recovery administrative processes, leading to more accurate fee percentage calculations and could result in reduced management costs overall. This could be accomplished by amending discrete "bottleneck" dates within regulation and allowing those dates to reflect more on season timing and the time needed to accomplish administrative processes. Another potential solution would be to remove dates mandating the agency take action by a certain time period altogether allowing for enhanced flexibility of agency processes and the process and timelines could be described annually in the cost recovery report.

2) **Shift the timing of publishing the notice of standard prices and fee percentage into January of the year following landings.**

This option would provide additional time for NMFS staff to compile and review landings data necessary to calculate the fee percentage and issue invoices after the end of the season on December 7. These dates are set in regulation and would require regulation writing to initiate change. Further analysis would be required to explore if changes to subsequent procedures, including a change to the fee payment date would also be necessary. If the payment due date is shifted to the end of February, it could become

difficult to verify that payments have been made prior to issuing IFQ Permits for the subsequent fishing year. Permits are typically issued in late February or early March. The administrative consequence for failure to pay IFQ fees is to withhold IFQ permits in the next fishing year. Shortening the time between the fee payment date and the next year's permit issuance may reduce the time for NMFS to settle any appeals and review applications for actual costs.

3) **Offset the landings used to calculate fee liabilities.**

This option could allow the notice publication and fee payment dates to remain unchanged, yet would provide additional time for NMFS staff to compile and review landings data before fee percentages are required to be published on December 31. This could be accomplished by changing the range of dates used to calculate fishery value and assess fees. As an example, if the "fee year" is cut off in October or November instead of running through the end of the fishing season, staff would have more time to review quality control data, resulting in a more accurate IFQ fee percentage calculation. Landings made after the fee cutoff date would be billed during the next year's annual cost recovery process.

3.2 Incomplete Volume and Value Data submissions for IFQ Program

Processors are required to submit IFQ buyers reports by October 15 each year. However, each year, some processors do not submit the report by the deadline, creating data problems. Processors often submit the report after all landings are completed, rather than by the October 15 deadline. Delays in data submission require staff time to attempt to remedy and reduce the time for NMFS staff to evaluate the validity of the data for use in fishery value, a key part of the calculation of the fee percentage. Data that is incorrect can have large impacts on the calculation of the fee percentage. Additionally, the reporting period is offset by a few months to capture the prices paid in the last few months of the previous fishing year (Oct -Dec) and the majority of the current fishing year. The standard prices for September are used for landings in October, November, and December.

Volume and value data completeness and cost recovery fee calculation accuracy is also dependent on all processors providing IFQ buyers reports. Processors may cease operations for the year at different times. If a processor ceases operations prior to submitting the IFQ buyers report, then NMFS has difficulty contacting these operations and often results in less information to base its calculation of standard prices on. With consolidation of processing activity into fewer processing entities, this has created more confidential prices over time and if a substantial amount of landings are not reported, this could influence the standard price calculations resulting in either a higher or lower standard price than would have been calculated had more landings been included in the calculation. Similar challenges exist in other cost recovery programs, however with fewer participants required to submit volume and value, it is administratively easier to track down incomplete information and verify accuracy.

Potential solutions:

1) **For applicable fisheries or programs, create an administrative consequence for processors who fail to submit the ex-vessel volume and value reports by the regulatory deadline.**

This option could improve data quality by imposing an administrative consequence for failure to comply with reporting requirements necessary to calculate standard prices. Within the IFQ Program, there is no repercussion (other than potential enforcement action) for registered buyers if the ex-vessel volume and value buyer's report is submitted after the October 15 deadline. One idea to consider is to require submission of volume and value reports when an operation ceases to take harvest for the year or October 15, whichever is earlier. This could allow NMFS to communicate with an operation when that operations staff are still available to address any issues.

2) **Modify submission of value and volume reports.**

Modifying submission of value and volume reports used to calculate fishery value could provide more timely quality control of these data. These submissions could align better with actual landings and could provide opportunities for seasonal processors to submit data while personnel are available to address errors. This option would address data quality issues by allowing NMFS staff more time to review data before cost recovery fee calculations are made. Another option could include increasing the frequency of submission for value and volume reports to allow more time periods to validate data. More frequent submissions could increase the reporting burden on relevant entities depending on how that option is implemented.

3.3 IFQ Program Port Specific Value and Confidentiality

In the cost recovery process for the IFQ program, determining ex-vessel prices for halibut and sablefish depends on the number of registered buyers receiving the species in a given port. When three or more processors receive landings of an IFQ species at a specific port within a month, the reported price is port-specific. However, if fewer than three processors report receiving the species, confidentiality requirements dictate that the price is aggregated into the broader category like Southeast Alaska (SEAK) regional pricing.

Statewide consolidation in the processing sector has made it increasingly difficult to establish port-specific pricing. Fewer processors operating in each port mean that, in many cases, the threshold for confidential data is not met, resulting in most ports defaulting to the regional price. In the 2024 IFQ standard prices and fee percentage notice (89 FR 105006, 12/26/2024), Table 1 shows that Sitka port specific sablefish prices are confidential in all but one month. Petersburg and Cordova have only 2 months shown for halibut only. This does not mean the port did not receive IFQ fish, just that the port had less than 3 operators in that month. As a result, for Sitka and Petersburg, the Southeast Alaska grouping was used for prices and overall fishery value. Additionally, whole ports have dropped out of the notice entirely, notably Yakutat and Ketchikan.

Evaluating whether a port meets the confidentiality standard and subsequently adjusting price calculations is a complex programming task requiring staff time and effort during the cost recovery process. This step is essential to ensure accurate fee assessments and protect confidential data, but as more ports fail to meet the confidentiality threshold, the workload associated with price determinations increases. These pricing structures have created very complex programming that is problematic to troubleshoot and verify.

A review of recent pricing data highlights this trend and also that there is a narrow range of pricing between months. In Sitka, halibut prices were reported only for July through December, with a narrow range between months of $5.44 to $5.46 per pound. For March through June, the port did not meet the confidentiality threshold, so the overall average Southeast Alaska price, which ranged between months from $5.48 to $5.99, was applied. Similarly, in Petersburg, halibut prices were reported only for May and August, ranging from $5.73 to $5.88 per pound, with all other months using the overall average Southeast Alaska price.

Fishermen do have the option to submit actual ex-vessel prices received for their landings. This allows them to adjust for discrepancies where the standard price used for cost recovery may not reflect the exact value they received. The posted prices are averages across all processors, meaning that an individual fisherman who received a lower price than the calculated standard would have the opportunity to provide documentation of their actual transaction.

There are both advantages and disadvantages to the current pricing structure. One significant advantage is that using broader regional averages simplifies the cost recovery process and ensures a more uniform assessment across different ports. It also mitigates the influence of outlier transactions—where one processor paying significantly higher prices could skew the port-specific average, potentially leading to inflated cost recovery fees. A regional price smooths these variations and provides a more stable valuation framework. Another benefit is that a regional pricing structure may provide opportunity to provide these data more frequently, especially when combined with a more frequent reporting of value and volume data which allows for more robust data quality confirmation.

However, a downside is that broader regional pricing may not accurately capture the variability in local market conditions. Some ports or individual fishermen may consistently receive higher or lower prices than the Southeast Alaska average, leading to discrepancies in cost recovery fees that do not fully reflect their financial reality. For example in Petersburg, the port specific price is more than the regional average, however for Sitka the port specific price is less than the regional average. Additionally, with fewer processors, the data used to determine these averages becomes more sensitive to small fluctuations in reported prices, potentially impacting the fairness of the cost recovery assessment. This has occurred in recent years and those data are usually, but not always found in quality control checks. Missing or outlier data issues, which are occurring with greater frequency due to constricted timelines, can create further problems and can affect the overall fee percentage.

Ultimately, as processor consolidation continues, the cost recovery process will increasingly rely on broader regional pricing rather than port-specific values. While this shift reduces administrative complexity, it also means that fishermen will need to carefully review their fee assessments and, where necessary, provide actual price documentation to ensure accuracy. The ongoing challenge remains balancing the efficiency of standardized regional pricing with the need for fair and representative cost assessments that reflect actual market conditions.

Potential solutions:

1) **Consolidate landing value to quarterly or yearly instead of month**

Broadening the reporting time period for calculation of average landing value of IFQ species may provide opportunity for value to be accurately calculated and not affected by cost recovery. Due to seasonal variations in fishing and processing operations, if there are fewer than 3 processors operating during a particular month in that port, the associated landing value is listed as confidential and cannot be included in cost recovery fee percentage calculations. For example, this often occurs for months at a time, for example in Cordova, Sitka, and Petersburg. Expanding the reporting time period from monthly to quarterly, or even annually, may allow more port specific pricing to be assessed and included in standard price calculations and could result in a more accurate cost recovery fee percentage.

2) **Consolidate landing value to region instead of specific port**

Broadening or expanding the landing value reporting time period may allow more data to be used representing most months and ports. However, price data from ports with fewer than 3 processors operating year-round would remain confidential and unable to be accounted for in standard price calculations. Expanding the reporting area from port to region could reduce the amount of omitted confidential data and allow for more accurate reporting.

3.4 Use of Actual prices

Fishermen have the option to submit actual ex-vessel prices received for their landings under the IFQ cost recovery program. This allows individuals to adjust their fee liability calculations to account for when the

standard price used for cost recovery may be different from and not reflect the exact value they received as payment for landed harvests. In recent years with more reliance on averages for some ports, or if a lack of data pushes the standard prices higher, there has been an increase in requests for actual prices rather than use of standard prices, but only when the standard price is higher than the actual price received. As described above, posted standard prices are averages across all processors, meaning that an individual fisherman who received a lower price than the calculated standard would have the opportunity to provide documentation of their actual transaction.

For the 2024 fishing year, NMFS received around 50 requests for actuals. This amount varies from year to year and has been higher in some years, especially in years with more variable IFQ values. The general trend is this is increasing overall. The reconciliation process associated with IFQ holder submitting actual ex-vessel prices varies depends on the specific situation and introduces a substantial amount of complexity and administrative burden on AKR staff to process. Processing a request for actuals can vary from a simple, straightforward request that takes a short amount of staff time (1-2 hours) to complex back and forth communications involving staff from up to 4 divisions to research landings and transfer data and multiple communications with the affected IFQ holder. This complexity stems from the fact that fishermen almost exclusively submit actual price adjustments when they believe the standard price overstates their earnings or they claim mistakes were made in the reporting by the registered buyer. As a result, the process is inherently biased toward downward adjustments, at the expense of increased costs to the agency, which are then included in the cost recovery fee percentage.

While this option is designed to ensure fairness by allowing fishermen to correct discrepancies where standard pricing does not reflect their actual revenue, it introduces a substantial amount of additional processing, verification, and reconciliation for AKR staff. Each submission of actual prices requires manual review and validation. Fishermen must provide documentation, such as settlement sheets or invoices, demonstrating the price they actually received. Agency staff must then verify these submissions against reported landings, ensure that supporting documentation is complete and valid, and determine whether adjustments to the cost recovery fee calculations are necessary. This process is particularly time-consuming when multiple fishermen exercise this option, as each submission requires individual attention. These submissions all come in during a one to two month period at the start of the year, straining available resources that are also engaged in other processes important to the operation of fisheries.

Potential solutions:

1) **Remove the option to submit actuals**

Removing the option to submit actuals would reduce administrative burden to AKR staff, and reduce the overall costs billed to these programs, however it could impact individual fishery participants who are motivated to submit the additional paperwork to request actual prices be used instead of standard prices.

2) **Change process for submission of actuals to require full audit of all landings**

A complexity in validating the data submitted is that IFQ permit holders pick and choose the landings they want to be changed. This results in only downward adjustments with a request to ignore landings in which were undervalued during invoicing. This creates complexity in these processes for staff to select out only specific landings. By changing the process to require all landings be evaluated the agency would be better able to collect the actual value of that permit holders landings and reduce agency costs in processing these actions.

3.5 BSAI Crab Rationalization Program Season Timing

The shifting season dynamics in the BSAI Crab Rationalization Program create challenges for both industry and management with respect to cost recovery. Historically, cost recovery processes assumed a

two-month off-season, allowing time for data reconciliation and fee assessments. However, with the Aleutian Islands Golden King Crab season starting earlier and other fisheries extending through May, AKR must now manage the cost recovery processes on tight timelines, straining resources. The 17-Year Program Review for the Crab Rationalization Program stated that tight turnaround times are further strained by season extensions, complicating the timely determination of fishery-specific fees.[5] One primary challenge is the compression of critical administrative timelines. For instance, Registered Crab Receiver (RCR) volume and value reports are due by May 31 each year. These reports undergo rigorous reviews for accuracy and completeness by NMFS. Extended fishing seasons reduce the window available for these reviews, making it challenging to meet cost recovery deadlines. Earlier start times of the fishery provide small windows in which fees can be collected, necessary for issuance of permits for the following crab year.

Potential solutions:

1. **Redesign the crab cost recovery process to be more similar to other programs.**

The crab cost recovery is different from other programs. Redesigning this process to more match other programs and be in alignment with changes in crab fishing season would take more work to flesh out and the technical experts were not available to completely provide how that would look. NMFS would seek to design a process that is more efficient and provides additional clarity. Suggestions may include modifying submission dates, the data used for calculation of value and when these data are submitted.

3.6 AFA Motherships and C/Ps

In 2017 and 2018, respectively, NMFS suspended the collection of cost recovery fees from the Catcher/Processor sector and Mothership sectors under the AFA program. These actions were taken due to the decision in the *CP Salmon Corporation, et al., v. Ross* and the filing of the *Mothership Fleet Cooperative v. Ross* cases. Since 2018, the AFA catcher vessel sector has continued to pay cost recovery fees under the AFA Program. Changes to the AFA Program and the regulations implementing the AFA cost recovery program are necessary to resume collecting fees from the AFA C/Ps and mothership fleets to cover the costs of management, data collection and analysis, and enforcement activities that directly relate to and support the limited access privilege program.

Potential Solutions:

Not yet identified.

3.7 Amendment 80 and CDQ Projection of Catch and Value

The cost recovery process for Amendment 80 and CDQ fisheries includes the projection and estimation of catch and ex-vessel value for the last two months of the year before finalizing fee assessments. This process presents an administrative challenge because it introduces uncertainty and complexity into cost recovery calculations that are then accounted for in the following year.

A key challenge is the variability in catch composition, market conditions and PSC constraints in the latter part of the year. Amendment 80 fisheries are variable from year to year and the harvest and the relative mix of species fluctuate based on environmental factors, bycatch constraints, and quota allocations. Similarly, CDQ groups manage multi-species allocations, with the timing and volume of their harvests dependent on cooperative agreements and other factors. This variability makes it difficult to establish an accurate fee liability assessment in advance of the actual fishery landings.

[5] The Crab Rationalization Program Review is available at: https://www.npfmc.org/allocation-and-program-review/.

Because the final harvest and value are not immediately available at the time fees must be determined, NMFS relies on inseason managers to make provisional calculations of overall harvest. This is done with the help of the vessel operators and cooperative managers. The need for these data conflict with other priorities that overlap this time period, namely the harvest specification processes. Overall, this increases the workload for AKR staff, requiring ongoing adjustments, industry communication, and data validation efforts well beyond the initial assessment period.

Potential Solutions:

1. **Change or remove dates set in regulation for cost recovery processes to be more responsive to annual fishing season dates and adjust value and volume report submission to match fishery.**

The cost recovery process is constrained by regulatory dates that require the projection of data to months that occur after cost recovery processes. Aligning fee and reporting dates with the fishery and modifying deadlines could improve accuracy and reduce costs. Additionally, adjusting value and volume report submissions to better match the fishing year would provide more clarity and reduce complexity in accounting for underestimate or overestimates from the prior year. A more detailed description is included in the potential solution in section 3.1 and section 3.2.

3.8 Overall Process Streamlining

As described in Section 2, each cost recovery program includes elements that are unique to each fee collection program. This creates a high workload for AKR staff, which then increases the costs billed to cost recovery programs.

Potential Solutions:

1) **Set the cost recovery fee percentage in regulations:**

An option to greatly simplify the cost recovery process would be to set a fixed fee percentage for each cost recovery program in regulation that NMFS would then apply every year. This would reduce agency costs by reducing the need to collect volume and value data, calculating the fee percentage, and publishing the annual fee notices. Much of the complexity in the internal cost recovery processes is related to the calculation of the fee percentage which are described in the Alaska cost recovery report. A fixed fee percentage is used in other cost recovery programs such as the Individual Fishing Quota Program for Gulf Red Snapper (§ 622.21) where the fee is set at 3 percent unless an adjustment is necessary to reduce the fee percentage below 3%. A fixed fee percentage could be set at 3 percent or a lower percentage based on the historic fee percentages over the life of the cost recovery program (see Table 4). Advantages of this approach include annual certainty, reduced administrative costs, reduced agency staff time, reduced reliance on “end of life” IT systems, and protection for fishery participants from fee increases due to increasing agency costs and declining revenue in the fisheries. A disadvantage includes being less responsive to increasing agency costs.

Table 4. Fee percentage calculated for each program from 2020-2024

	2020	2021	2022	2023	2024
A80	1.19%	1.43%	0.87%	1.37%	1.86%
AFA	0.21%	0.25%	0.32%	0.26%	0.24%
AIP	>3.0%[b]	na	na	na	na
CDQ	0.84%	0.83%	0.85%	1.07%	1.38%
Crab	1.31%	1.09%	2.23%	5.93%[a]	3.32%[a]
IFQ	4.28%[a]	2.3%	1.9%	3.4%[a]	3.4%[a]
PCTC	-	-	-	-	1.92%
Rockfish	3.66%[a]	2.77%	2.53%	3.59%[a]	7.51%[a]

[a]These billed percentages were limited by the Magnuson-Stevens Act statutory three percent cap of the ex-vessel value of the fishery in any Program year.

[b]Due to the small harvest, the estimated percentage was well above 3 percent. The actual percentage is unknown.

2) Consolidate cost recovery regulations:

This option could allow for improved consistency and clarity by consolidating the cost recovery regulations into one section of 50 CFR part 679. This option could drastically reduce overall regulations and make it easier for fishery participants who fish under multiple programs to comply with the cost recovery regulations.

4 Next steps

NMFS will continue to review and evaluate options to improve and streamline the cost recovery processes. NMFS requests feedback on which challenges and potential solutions presented in this paper that should continue to be analyzed. At a minimum, NMFS recommends moving forward with analysis of changes to the IFQ Program cost recovery process to address the extended seasons and timing of the end of year process. The next step would be to develop a purpose and need and suite of alternatives and prepare an analysis to evaluate the potential impact of those changes for the Council to recommend changes to the cost recovery programs.

AKR's goal in conducting this review is to streamline the cost recovery regulations and processes to reduce the administrative costs, thereby reducing costs for fishery participants. The Council's public process provides an opportunity to discuss in a future analysis ways to align the cost recovery processes among all programs and consolidate regulations, reducing overall regulation and reducing complexity. At this stage, the scope of potential changes to the cost recovery and fee processes is something for the Council and NMFS to consider. A narrowly focused action could focus only on making adjustments to the IFQ Program cost recovery process, while a broader analysis of more holistic and comprehensive changes could address challenges and streamline the processes to reduce administrative burden and costs to industry across all programs.

Specifically, shifting the dates set in regulations for the publication of the IFQ Program cost recovery notice later or removing these dates may allow for better alignment with reporting requirements and ensure that fee determinations reflect complete and accurate data. Additionally, consolidating reporting

categories, such as transitioning from port-specific pricing to regional or broader-scale reporting periods within the IFQ Program, would reduce administrative costs and simplify the cost recovery process.

Another improvement would be strengthening regulatory provisions to ensure timely industry reporting. Delays in data submission create bottlenecks in cost recovery assessments and fee collection. Establishing clear reporting deadlines, coupled with regulatory measures that ensures industry participants report on time, would enhance compliance and reduce inefficiencies and costs.

These adjustments could create a more adaptive and effective cost recovery system, aligning regulatory requirements with operational realities. By streamlining reporting structures and improving administrative compliance mechanisms, the agency can maintain cost recovery accuracy while minimizing administrative costs and industry burden. Moving forward, a focused review of these proposed changes would be prepared to refine implementation strategies and ensure that regulatory updates achieve the intended benefits across multiple cost recovery programs. The pros and cons of a narrow vs. a broad approach to potential changes to the cost recovery and fee process are summarized in the following table.

Table 5. Pros and cons of potential alternative approaches.

Potential Alternative Approaches	Pros	Cons
Narrow action to address IFQ cost recovery timing	● Addresses immediate NMFS need ● shorter/less involved analytical development time	● does not address overall NMFS workload to administer fee collection programs ● maintains current (labor intensive) administrative burden ● retains complex and inconsistent processes
Comprehensive action to streamline all cost recovery and fee programs	● Broad potential benefits to fishery participants ● Improved consistency across multiple programs would increase staff efficiency and reduce costs ● Rulemaking workload is similar to a narrower action	● longer and more complex analysis and more time to develop the action