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Cost Recovery Process and Timing Draft Discussion Paper

Prepared for the North Pacific Fishery
Management Council
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Presented by Alicia M. Miller and Josh Keaton
Alaska Regional Office

Introduction

(Section 1, pg 1)

December 2024 Council Motion:

“The Council requests a discussion paper to inform options to adjust the annual timing and processes for all of the Council’s cost recovery and fee collection programs. The paper should identify inefficiencies and challenges faced by stakeholders and NMFS as well as opportunities to improve clarity, consistency, and efficiency.”

- This is a DRAFT discussion paper because of limited staff availability and capacity.
- We welcome input on which challenges and potential solutions should continue to be analyzed.



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Fee Collection Programs

(Section 2, pg 2)

8 Cost Recovery Programs:

- Crab Rationalization (CR) Program
- Rockfish Program (RP)
- Amendment 80 (A80)
- American Fisheries Act (AFA)
- Pacific halibut and sablefish Individual Fishing Quota (IFQ)
- Pacific Cod Trawl Cooperative (PCTC) Program
- Aleutian island Pollock (AIP)
- Community Development Quota (CDQ) Program

2 Monitoring Fee Collection Programs:

- Observer Fee
- Trawl Electronic Monitoring (EM) Fee



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Observer and Trawl EM Fees

Section 313 of the Magnuson-Stevens Act authorizes the Council to establish a fee to pay for the stationing of observers or electronic monitoring in the fisheries under the Council's jurisdiction.

- fees may vary by fishery or coverage level
- fees cannot exceed 2 percent of the fishery ex-vessel value
- Observer Fees
 - Established in 2012 under the Restructured Observer Program
 - Alaska processors and registered buyers have been required to pay an ex-vessel value-based fee to support the funding and deployment of observers on vessels and in plants in the partial observer coverage category
 - 1.65% fee percentage is set in regulation



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Observer and Trawl EM Fees

- Trawl EM Fee
 - Established in 2024 under Amendments 126/114 to the fishery management plans (FMPs) for the Bering Sea and Aleutian Islands (BSAI) and Gulf of Alaska Groundfish fisheries.
 - Vessel owners who request their vessels be placed in full coverage trawl EM category are required to pay to an ex-vessel value based fee for EM video review services .
 - Fee percentage is calculated annually based upon EM video review costs and ex-vessel value of landings by vessels in the full coverage trawl EM category.
 - 2025 is the first year of fishing under the Trawl EM Program and the internal processes are currently under development



Summary of Fee Programs

(Table 2, page 4)

- Each program includes an administrative consequence for non-payment. For example: withholding a privilege - typically a permit
- Each program uses a specific source of data for calculating the fishery volume and value and standard prices
- Most programs, the fee percentage is calculated annually (except the observer fee percentage is set by regulation)
- Most programs calculate the fishery value after the landings have occurred (retrospective), except Crab cost recovery and observer fees which establish standard prices and the fee percentage before fishing occurs (prospectively)

Summary of Fee Programs

Table 4-4 pg. 25
2024 Cost Recovery Report

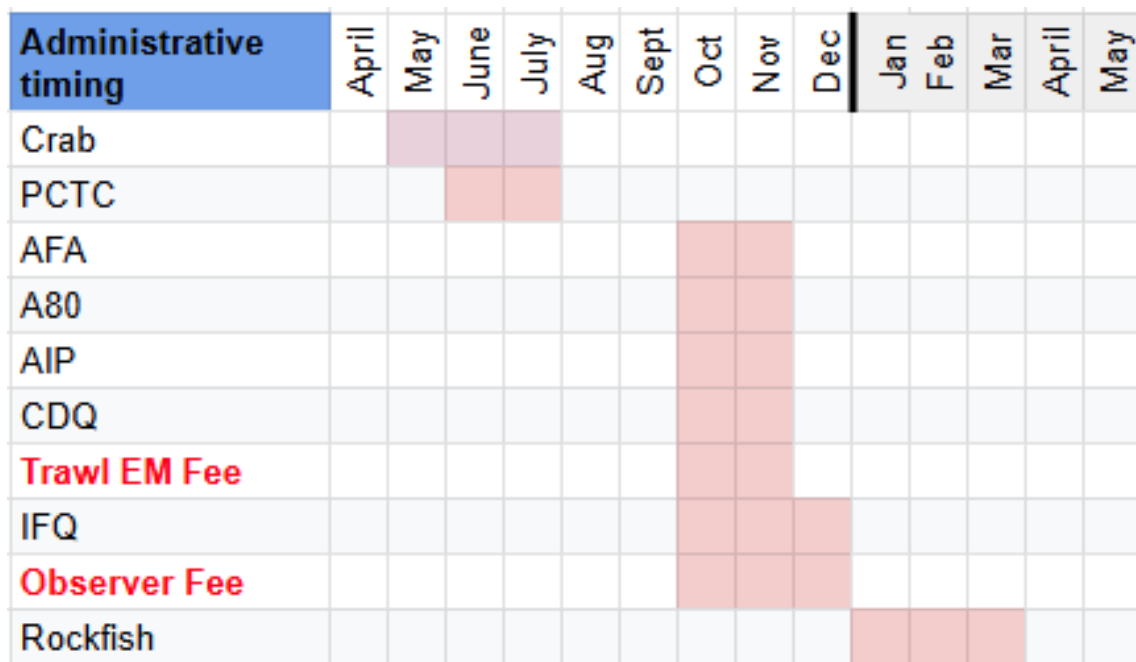
Number of invoices, entities, and vessels in 2024

Program	Entity Invoiced	# of Invoices	Vessels in program
IFQ	QS holders	1,579	703
CR	Processor representative	14	38
RP	Rockfish cooperative representative	6	22
CDQ	CDQ group representatives	6	54
AFA	AFA inshore cooperative representatives	7	76
AIP	Aleut Corporation authorized representative	0	0
A80	Amendment 80 cooperative representative	1	16
PCTC	PCTC Program cooperative representative	6	27
Observer Fee	Processor representative	102	873
Trawl EM*	Owner of a Vessel in the trawl EM full coverage category	n/a	69



Timing of Administrative Work

Administrative workload is distributed throughout the year but multiple programs overlap. The figure below shows timing starting with gathering costs and volume and value data and ends with publication of the notice of standard prices and fee percentage in the Federal Register. Payments are processed throughout the year.



Volume and Value (V & V) Reports (Table 1, pg 3)

NMFS uses data from six different required reports to calculate standard prices used to calculate fishery value:

- CR Registered Crab Receiver Ex-vessel V&V Report
- IFQ Registered Buyer Ex-vessel V&V Report
- Pacific Cod Ex-vessel V&V Report
- First Wholesale V&V Report
- Rockfish Ex-vessel V&V Report
- Commercial Operators Annual Report (COAR)

Timing

(Section 2.3 pg 5-8)

Key Timing components:

- Fishing season
- V&V reporting period and data availability
- Notice publication
- Invoice issuance and payment deadlines
- Permit issuance

Rockfish Program Example:

Rockfish Program	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July
Fishing Year				Fishing April 1 - Nov 15															
Landings - Standard prices				Report period: April 1- Nov 15															
Landings - Fishery value				Fishery value: April 1-Nov 15															
Landings - fee assessed				Fee assessed: April 1 - Nov 15															
Notice																			
Invoice																			
Payment Due																			
Permit issuance																			

Notice: By March 31

Invoices: ~Feb 1

Payments due: Feb 15,

Permits issued: By April 1

Challenge; IFQ Season Timing

(Section 3 pg 8)

- IFQ fishery has ended on Dec 7 each year since 2021
- Calculation of fishery value cannot happen until all landings are recorded ~1 week after season end (around Dec 15).
- Must publish the fee notice and issue invoices by Dec 31
- 1,579 IFQ Cost recovery invoices issued in 2024

Pacific Halibut and Sablefish IFQ Program	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Fishing Year																					
Landings - Standard prices																					
Landings - Fishery value																					
Landings - Fee assessed																					
Notice																					
Invoice																					
Payment Due																					
Permit Issuance																					

Volume and Value: Oct 1 - Sep 30

Fishing: ~ Mar 15 - Dec 7

Fishery Value: ~ March 15 - Dec 7

Fee Assessed: ~ March 15 - Dec 7

Notice: By Dec 31,

Invoices: By Dec 31

Payment Due: Jan 31

Permits: Mar



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Potential Solutions: IFQ Timing (Section 3.1 pg 9)

1. Change or remove dates set in regulation for cost recovery process to be responsive to fishing season (flexible, potential to vary from year to year)
1. Shift the timing of publishing the notice and subsequent due date for fee payments - this would maintain regulatory structure, and just shift the dates
1. Offset the landings used to calculate the fee liabilities - Landings occurring after a set date (Nov 15) would be billed along with landings made in the next fishing year.



Potential Solutions: IFQ Timing (Section 3.1 pg 9)

2. Shift the timing of publishing the notice and subsequent due date for fee payments - this would maintain regulatory structure, and just shift the dates.

Could look like:

Pacific Halibut and Sablefish IFQ Program; later due dates	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July
Fishing Year						Fishing: ~ Mar 15 - Dec 7																
Landings - Standard prices	Volume and Value: Oct 1 - Sep 30																					
Landings - Fishery value						Fishery Value: ~ March 15 - Dec 7																
Landings - Fee assessed						Fee Assessed: ~ March 15 - Dec 7																
Notice																		Notice: By Jan 31				
Invoice																		Invoices: By Jan 31				
Payment Due																			Payment Due: March 2			
Permit Issuance																				Permits: Mar		



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Potential Solutions: IFQ Timing (Section 3.1 pg 9)

3. Offset the landings used to calculate the fee liabilities -
Landings occurring after a set date (*e.g.* Nov 15 or other date) would be billed along with landings made in the next fishing year.

Could look like:

Pacific Halibut and Sablefish IFQ Program; Offset Landings	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July
Fishing Year						Fishing: ~ Mar 15 - Dec 7																
Landings - Standard prices	Volume and Value: Oct 1 - Sep 30																					
Landings - Fishery value						Fishery Value: ~ March 15 - Dec 7																
Landings - Fee assessed						Fee Assessed: Nov 15 - Dec 7, and ~ March 15 - Nov 15																
Notice																		Notice: By Dec 31,				
Invoice																		Invoices: By Dec 31				
Payment Due																		Payment Due: Jan 31				
Permit Issuance																				Permits: Mar		



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Challenge; Incomplete V&V data 11)

(Section 3.2 pg

- IFQ buyers report is due Oct 15.
- Each year there is some level of non-compliance with this reporting requirement.
- Incorrect or missing information can affect standard price calculations as well as confidentiality of port specific prices.
- This creates additional administrative burden for AKR staff and/or NOAA Office for Law Enforcement to conduct outreach to assist in compliance or investigate non-compliance.
- Can delay steps in the process until a decision is made that we cannot address the issue and must move forward.
 - Some errors have greater impacts to V&V



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Potential Solutions: Incomplete V&V data

(Section 3.2 pg 11)

1. Create an administrative consequence for failure to submit required V&V data
1. Modify the submission of V&V reports
 - a. Timing of the reporting period and/or due dates
 - b. Increase the frequency of data submission (e.g. quarterly V&V reports)



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Challenge; Port Specific Standard Prices

(Section 3.3 pg 12)

- Consolidation of IFQ registered buying capacity has made it increasingly difficult to calculate monthly port-specific standard prices that are not confidential.
- Evaluating whether a price meets the confidentiality standard and subsequently adjusting price calculations is a complex programming task requiring staff time and effort during the cost recovery process.

Potential Solutions:

1. Calculate quarterly or annual standard prices rather than monthly
2. Consolidate landing value by region instead of specific port



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Challenge; Use of actual prices (Section 3.4 pg 13)

- 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. (Almost exclusively to adjust fee liability downward)
- Increasing use of this option (50 requests submitted for landings in 2024).
 - Depending on the request; ranges from 2 hours to multiple days. Complicated request include where permit holders select only certain landings for adjustment

Potential Solutions:

1. Remove this feature of the program.
2. Change the process to require full audit of all landings rather than specific landings as requested.



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Challenge; A80 and CDQ Projected Catch (Section 3.7 pg 15)

- The catch and ex-vessel value for landings in the last two months of the fishing year are estimated.
- Key staff necessary for these estimates are busy with annual harvest specification processes.
- Increased complexity in programming and additional workload for the issuance of estimated fee liabilities.

Potential Solutions:

1. Change or remove the dates set in regulations similar to changes considered to address IFQ season timing.



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Challenge; BSAI Crab & AFA 15)

(Section 3.5 and 3.6 pg 14 &

- Crab season dates can vary year to year creating timing challenges with the cost recovery administrative tasks similar to the IFQ Program.
- Since 2018, NMFS has not collected cost recovery fees from the AFA Catcher/Processor and Mothership sectors due to lawsuits.

Changes are necessary to address these challenges, however additional work is needed develop solutions that address these challenges.



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Process Streamlining

(Section 3.8 pg 16)

With 10 fee collection programs, the annual administrative burden is substantive.

Potential Solutions:

- Set cost recovery fee percentages in regulation rather than published annually
 - Could reduce time constraints for annual administrative processes and could provide advance notice to the fleets and Agency about anticipated fee liabilities.
 - Could also include a public process for clarifying overall costs and evaluating program performance through the Council, similar to the current annual reporting process.
- Consolidate cost recovery regulations within part 679

Summary and Next Steps

- NMFS will continue reviewing and evaluating options to streamline and improve existing cost recovery and fee programs.
- NMFS requests input and feedback on the challenges and potential solutions that should continue to be analyzed.
- At a minimum, NMFS recommends continuing to analyze changes to the IFQ Program cost recovery process to address the extended seasons and timing of the end of year process as discussed in section 3.1.



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