

# Charter Halibut Recreational Quota Entity (RQE) Funding Mechanism

April 2021<sup>1</sup>

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In April 2019, the North Pacific Fishery Management Council (Council) tasked staff to prepare a discussion paper that would examine a mechanism for the charter halibut Recreational Quota Entity (RQE) to fund the purchase of halibut quota shares by selling halibut stamps to charter operators. The Council specified that the discussion paper should examine a requirement for charter operators to purchase an RQE halibut stamp from the RQE for each guided angler each day that the anglers plan to harvest halibut on a charter vessel operating in IPHC regulatory areas 2C and 3A. The Council also asked that the discussion paper should:

- Include examples of the design specifications and implementation of numbered stamps used to harvest animals or fish – king salmon, duck or deer tags for example.
- Inform the Council on the amount of revenue that could be generated by the sale of the stamps for guided halibut trips in regulatory areas 2C and 3A based on past participation. Consider 10, 15, and 20 dollars per stamp. One day and three-day stamps should be considered.
- Describe the amount of potential fees collected by the RQE from charter operators, and how fees would be used to purchase halibut QS and would also be used to fund administrative costs of the RQE program, and all other purposes as dictated by Federal law.
- Describe a NMFS approval process for the design specifications of the stamps, and an annual financial review of the stamps sold and other related RQE expenses.
- Examine monitoring and enforcement provisions if all guided halibut fishermen are required to be in possession of a valid RQE halibut stamp when harvesting charter halibut.

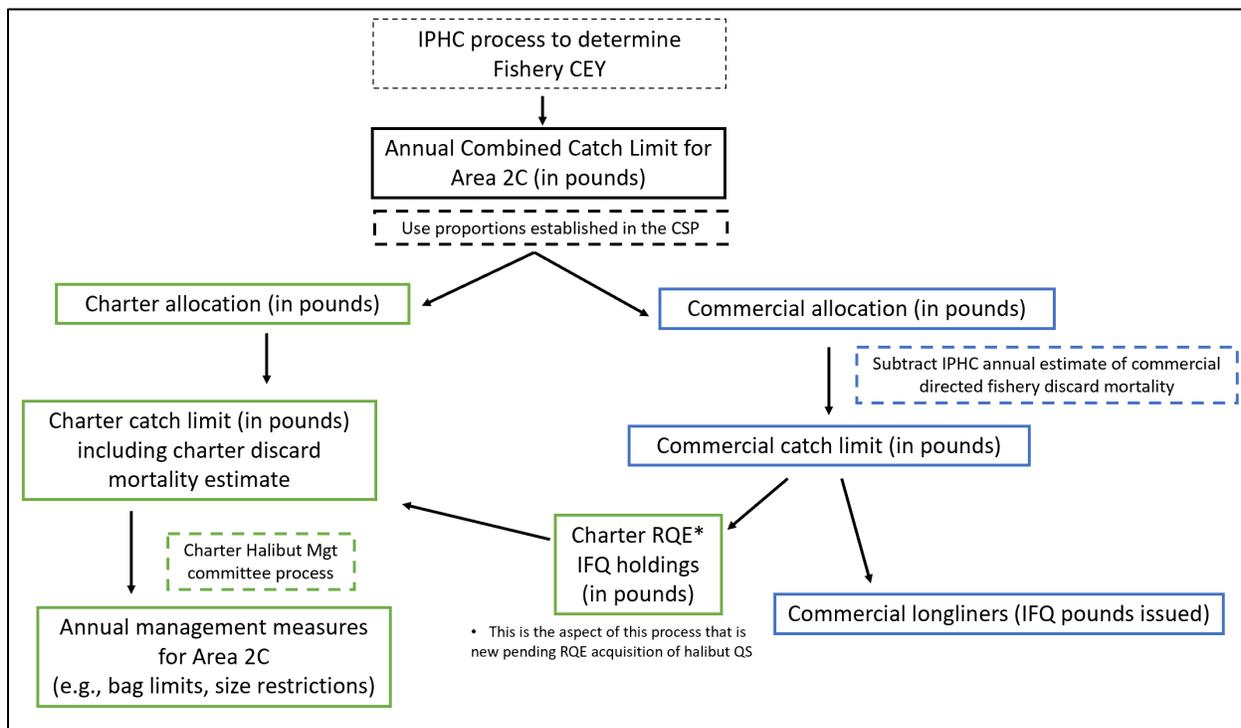
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# 1 Background

## 1.1 Funding the RQE Program

In December 2016, the Council took final action to approve a regulatory program that would authorize a charter halibut RQE purchase and hold commercial halibut quota share on behalf of the charter halibut anglers in IPHC regulatory Area 2C and 3A. This final rule became effective October 22, 2018 (83 FR 47819). The Secretarial Review Draft Analysis for the RQE provides details the design of the program, including limitations on halibut quota transfers to an RQE, and the annual process for using halibut quota held by an RQE (NMFS 2017). Specifically, halibut quota share purchased by a RQE would augment the apportioned pounds of halibut for the charter catch limit for that area in that year, which could be used to relax the annual charter management measures (e.g., bag limits and size restrictions) up to the allowance for the unguided recreational sector. This process is illustrated in Figure 1 for Area 2C. This would be the same process for any halibut QS held by an RQE for Area 3A. These management measures would apply for *all* charter halibut anglers in the corresponding IPHC areas. In other words, there would not be an option for certain anglers or certain operators to opt out.



**Figure 1 Process for Charter RQE halibut quota holdings to be incorporated into annual management measures for Area 2C.** This same process would apply for Area 3A.

The Council’s Preferred Alternative and the Final Rule establishing the RQE did not dictate the RQE’s method of funding itself or any halibut quota share purchases (NPFMC 2017; 83 FR 47819). This scoping decision was a choice made by the Council in order to focus analytical effort toward how an RQE may be structured and impacts under the assumption that an RQE would have the means to acquire QS. The analysis did consider RQE involvement in the QS market and ways to mitigate or limit adverse effects on other prospective buyers, which resulted in a series of QS transfer restrictions. Thus, similar to the CQE, the Council did not establish jurisdiction for itself over the potential avenues considered for funding sources by charter stakeholders and determined it will be the responsibility of the RQE to develop a way to fund the program. Although this open-ended approach means the charter sector could attempt to acquire their funding through many different avenues (e.g. grants, donations, user fees, etc.), at the time

of analysis, the charter sector was considering the concept of a halibut stamp paid for by charter anglers or a charter halibut tax on operations implemented as a proportion of gross revenue or number of fish harvested rather than just a lump sum transfer in order to not disadvantage smaller operations (NPFMC 2017). It is also relevant to note that much of the testimony received from the commercial sector highlighted a desire to ensure the charter sector had “skin in the game”.

It appears charter sector representatives have identified a halibut stamp (or permit) as a preferred option to pursue in order to generate a revenue stream.<sup>2</sup> Based on the April 2019 motion, a halibut stamp would require all charter operators to purchase an RQE halibut stamp from the RQE for each guided angler, each day, that they plan to harvest halibut on a charter vessel operating in IPHC regulatory areas 2C and 3A. While the RQE could design and facilitate a stamp program outside of regulatory action, working independently of Federal or State regulations means they would have to identify their own enforcement component; there would be no Federal requirement to obtain and carry this stamp. Establishing a Federal requirement for possession of a halibut stamp requires certain statutory and regulatory changes:

**Magnuson-Stevens Fishery Conservation and Management Act:** Legislative action must be taken by the US Congress to amend Federal law if NMFS is to facilitate this fee collection by developing supporting regulations (see Section 1.2 for the status of this effort).

**Federal regulations:** Once U.S. Legislative action is taken, establishing a Federal halibut stamp program will likely require some new Federal regulations. In whatever form it takes, a halibut stamp will require a certain level of Federal administration and associated rulemaking to make it function and be enforceable. NMFS regulations would need to be developed to describe that fee collection process and would determine the roles and responsibilities of the respective parties (further discussion on roles and responsibilities of NMFS versus the RQE is discussed in Section 5).

**State regulations:** No regulatory changes would be needed; however, this action could have several types of implications for state management. For instance, the majority of sport fishing licenses and permits are obtained through the ADF&G. Operators and anglers are accustomed to purchasing their licenses and permits either directly from ADF&G or from ADF&G vendors. An RQE halibut stamp requirement may put ADF&G staff in the position of fielding questions about a new stamp requirement. Additionally, Alaska Wildlife Troopers conduct the majority of patrols and boardings of guided and unguided sport fishing vessels in Alaska. While there is Joint Enforcement Agreement between the state and Federal enforcement agencies (described in Section 6), this would not obligate Troopers to enforce a halibut stamp requirement. The State would need to determine its enforcement role relative to halibut stamp. Finally, the ADF&G Saltwater Logbook Program, which collects data on charter angler activity, is implemented, and facilitated by the State of Alaska. These data are confidential and could not be shared directly with the RQE. As described in Section 6, ADF&G have expressed concerns with logbook data being used for enforcement purposes.

**Fishery Management Plans (FMP):** Halibut is managed under the Halibut Act, and not a FMP as for Magnuson-Stevens Act fisheries, and would therefore require no FMP amendments.

**International Pacific Halibut Commission (IPHC) regulations and the Halibut Act:** The Northern Pacific Halibut Act allows the Council to develop/recommend and NMFS to implement regulations in U.S. waters that are in addition to, and not in conflict with, approved IPHC

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<sup>2</sup> As described in the rationale for the April 2019 motion.

regulations. The administration of fees within the charter sector for Areas 2C and 3A would be an allowable exercise of NMFS's authority.

## 1.2 Status of U.S. Legislative Action

On March 27, 2019 Senate Bill S.906-Driftnet Modernization and Bycatch Reduction Act was introduced in the U.S. Senate to amend the Magnuson-Stevens Fishery Conservation and Management Act.<sup>3</sup> The bill was primarily focused on extending the prohibition on driftnet fishing with a mesh size of 14 inches or greater in the waters of the U.S. Exclusive Economic Zone. However, the bill also included language that would have allowed the Council to recommend and the Department of Commerce approve regulations that require charter operators to pay fees for guiding anglers who harvest halibut in IPHC Area 2C and 3A.

The Senate Bill S.906 passed the Senate (July 22, 2020) and the House (December 10, 2020); however, President Trump vetoed S.906 on January 1, 2021. In his Congressional Record of this veto, the President explained his disagreement with the prohibition on large-scale driftnet gear.<sup>4</sup> With regards to the collection of fees from charter operators in IPHC Area 2C and 3A, President Trump stated his administration would have supported the authorization of fee collection in the Pacific halibut fishery if passed separately from the driftnet bill.

The bill was reintroduced in the Senate on February 8, 2021 as S.273- Driftnet Modernization and Bycatch Reduction Act. The language of S.273 states:

### SEC. 6. FEES.

(a) In General.—The North Pacific Fishery Management Council may recommend, and the Secretary of Commerce may approve, regulations necessary for the collection of fees from charter vessel operators who guide recreational anglers who harvest Pacific halibut in International Pacific Halibut Commission regulatory areas 2C and 3A as those terms are defined in part 300 of title 50, Code of Federal Regulations (or any successor regulations).

(b) Use Of Fees. — Any fees collected under this section shall be available, without appropriation or fiscal year limitation, for the purposes of—

- (1) financing administrative costs of the Recreational Quota Entity program;
- (2) the purchase of halibut quota shares in International Pacific Halibut Commission regulatory areas 2C and 3A by the recreational quota entity authorized in part 679 of title 50, Code of Federal Regulations (or any successor regulations);
- (3) halibut conservation and research; and
- (4) promotion of the halibut resource by the recreational quota entity authorized in part 679 of title 50, Code of Federal Regulations (or any successor regulations).

The Senate referred the bill to the Committee on Commerce, Science, and Transportation. Updates can be found on Congress.gov.<sup>5</sup>

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<sup>3</sup> Details on the Senate Bill S.906: <https://www.congress.gov/bill/116th-congress/senate-bill/906/text>

<sup>4</sup> <https://www.congress.gov/congressional-record/2021/01/01/senate-section/article/S8001-1>

<sup>5</sup> <https://www.congress.gov/bill/117th-congress/senate-bill/273/committees>

### 1.3 Status of the RQE

On March 4, 2020, NMFS approved an application for the CATCH Association (Catch Accountability through Compensated Halibut) to serve as the RQE. The Council's Preferred Alternative (PA) and the Final Rule specified that only one RQE can exist. To be approved as an entity eligible to purchase and hold commercial halibut QS, the RQE must be established as a qualified non-profit entity registered under the laws of the State of Alaska and recognized as exempt from Federal income tax by the Internal Revenue Service (IRS). The CATCH association achieved the requirements to form the RQE by submitting articles of incorporation and management organization information to NMFS, including 1) bylaws and 2) a list of key personnel including, but not limited to, the board of directors, officers, representatives, and managers.

#### RQE Board

The Council's PA also included options for having a representative of the Alaska Department of Revenue sit as an ex-officio member of the RQE board and for the Commissioner of the Alaska Department of Fish and Game, or their designee, to sit as a voting member of the RQE board. The language "may sit" indicates that this representation is not a requirement but a recommendation. These requirements for the board composition of the RQE are far less prescriptive than previous iterations. The Council stated that there was no need to include more specificity to achieve the objectives of this action. Rather, a prescriptive requirement of board composition and terms could stall development of an RQE and create needless issues if the requirements are unable to be met.

#### RQE Funds and Annual Report

The Council discussed how a non-profit RQE would operate financially and considered placing restrictions on the RQE's activities and use of its funds; however, the Council also struggled with defining such activities. Moreover, there were challenges with enforcing such broad provisions and determining the punishment for violating the requirements. Therefore, the Council instead included policy language in its final motion to describe its intent. This language states that the Council, **"envisions the RQE will use funds primarily for the acquisition of commercial halibut quota; halibut conservation/research; promotion of the halibut resource; and administrative costs. The Council intends RQE resources not be involved in political campaigns."**

The Council's statement was not intended to be a comprehensive list of areas that RQE funds should or should not be used for. Because of the difficulty of creating a regulatory definition that would appeal to all circumstances, the Council included an annual reporting requirement for the RQE in years where the group held quota. This report would allow the Council to track the development and activity of the RQE and the policy statement would help the Council determine if the RQE was operating in a way consistent with the intent. If the Council determined that RQE funds were not being used in an appropriate way, the Council could take action. The requirements for annual reporting are listed in Section 5.

## 2 Examples of Existing Stamp and Tag Programs

*Include examples of the design specifications and implementation of numbered stamps used to harvest animals or fish – king salmon, duck, or deer tags for example.*

The Council requested examples of the design specifications and implementation of numbered stamps used to harvest animals or fish. This discussion paper includes a thorough discussion of the performance and attributes of the Alaska king salmon stamp, State of Alaska locking tags, and Federal Duck Stamp program. Similar to the concept of a halibut stamp, Alaska king salmon stamps and State of Alaska

locking tags are not necessarily intended to restrict harvest or the number of harvesters but they aid in identifying that the angler/hunter has agreed to the conditions of the activity and generating revenue for the Fish & Game Fund. The Federal Duck Stamps raise funds for habitat conservation. However, analysts note that given the additional cost these permits/stamps/tags impose, they may still affect the number of harvested animals or harvesters, despite this not being an objective.

This section also includes a general summary of six additional recreational fishery harvest tag programs – including a discussion on different management features and lessons learned from these programs.

## **2.1 Alaska King Salmon Stamp Program**

Nonresidents of Alaska age 16 and older and residents 18 and older sport or personal use fishing for king salmon in Alaska are required to obtain a king salmon stamp (ADF&G 2021). Resident stamps cost \$10 annually. Nonresidents can purchase stamps for different set number of days or purchase an annual stamp (see Table 1). The majority (39%) of nonresident stamps sold are 1-day stamps, followed by 3 and 7-day stamps. Less than 5% of the total stamps sold are either nonresident annual or nonresident 14-day stamps (see Table 2 and Table 3). Once a stamp is purchased, it generally cannot be refunded. Concessions have been made for some nonresidents who can prove that a trip that the stamp was purchased for was cancelled before the stamp became valid. There is no limit on the number of king salmon stamps an individual may purchase in a given year, or the total number of stamps that can be sold (Siegel 2021).

King salmon stamps are purchased by individual anglers from ADF&G directly at their office, from a licensed vendor, or electronically from the ADF&G online store (Siegel and Grove 2021a). Electronically purchased stamps display an endorsement number and can be printed immediately. When an angler purchases a fishing license from the ADF&G online store, they will be asked if they would like to also purchase a king salmon stamp. If a license and stamp are purchased at the same time, the stamp endorsement number will be displayed on the print-out of the individual's license. If purchased separately, a larger verification receipt that includes the endorsement number is developed and must be carried along with a regular fishing license (Siegel and Grove 2021a).

ADF&G allows for licensed vendors to sell their products, including for example, sport fishing licenses, king salmon stamps, big game lock tags (discussed below), commercial crew licenses, etc. Licensed vendors that hold and sell these products include larger retailers like Fred Meyer or Sportsman's Warehouse as well as individual lodges or hunting/fishing guide companies. These licensed vendors can choose which products to sell based on what they believe their buyers will need. The licensed vendors can choose to sell electronic or physical versions of these products.

To sell electronic products, such as the king salmon stamps, ADF&G has developed an app in-house named eVendor. The app enables vendors to sell products, collect money, and report sales and earnings monthly, as is required (Siegel and Grove 2021a). ADF&G utilizes a "vendor status" indicator to track vendors who are not in compliance with their contractual obligations. This status is displayed when licensing staff are preparing to allocate licenses, stamps, and tags to the vendor and prohibits the ability to provide the vendor with these items via a pop-up warning window (Grove 2021). Vendors earn a commission of 5% per item or 25¢ per item, whichever is greater, and receive \$1.00 in additional compensation for every stamp reported as sold (or \$50 per year, whichever is greater) in order to compensate vendors for some of the administrative costs of participating in the licensing program (ADF&G 2020).

ADF&G has been working to move all vendor sales online, but vendors are able to apply for an electronic license exemption to sell paper stamps instead. In 2020, of the 800 licensed vendors in the United States and Canada, 200 applied for the exemption, half of which were charter or hunting guides. The number of exemptions applied for has been steadily decreasing (Siegel and Grove 2021a).

Physical stamps are a sticker with wax paper underneath and two carbon copy layers. Stamp books are issued at the start of the selling season and stamps come in sheets of 25 with perforation for each individual stamp. After purchase, the sticker is given to the angler and the vendor sends one carbon copy receipt to ADF&G and retains the second for their personal records. Licensed vendors are accountable for the sale and reporting of all stamps and must return receipts to ADF&G monthly. Vendors are responsible for returning unused supplies within 30 days of the end of the selling season (ADF&G 2020b). If a king salmon stamp or stamps are unaccounted for, ADF&G will assume they were sold and apply a value to each stamp that the vendor is required to pay (Siegel and Grove 2021a).

Anglers must sign a stamp sticker or printed PDF stamp for it to be valid, and the signature affirms that they acknowledge the conditions for having the stamp. To verify the authenticity of king salmon stamps, each stamp is issued an endorsement number that is stored in a database maintained by ADF&G. Wildlife enforcement can access the database to verify the legitimacy of documentation and cross-reference endorsement numbers. Enforcement can detect falsified duplications 99% of the time (Siegel and Grove 2021a). The consequence for a first-offense falsified stamp is typically a verbal warning, but pursuant to AS 16.05.165(b) illegally taking a king salmon can result in a fine of up to \$100 plus \$150 for every king salmon illegally taken (State of Alaska 2020).

ADGF staff has expressed a strong preference and recommendation for the online sale of any permit or license endorsement program. The largest inhibitor for the king salmon stamp program going completely online is the inability to conduct sales and maintain the database offline. Online sales enable the collection of more customer information and timelier and more accurate vendor reporting and payment. Additionally, the small physical size of king salmon stamps and tedious requirements of ripping and mailing carbon copy receipts results in high occurrences of misplaced and misreported stamps (Siegel and Grove 2021a).

## **2.2 Alaska Big Game Locking Tags**

In addition to a hunting license and any necessary hunting permits, nonresidents are required to purchase locking tags to hunt for 13 different species<sup>6</sup>. Residents are only required to purchase locking tags for brown/grizzly bears, muskox bull and muskox cow. Locking tags are single-use, numbered, metal bands that must be attached to the part of the animal that is going to be salvaged prior to leaving the kill site and must remain attached until the animal is prepared for storage, consumed, or exported (ADF&G 2020a).

Non-resident locking tags range from \$60 for wolf to \$2,200 for bull and cow muskox (AS 16.05.340). Locking tags are valid from the date of purchase through December 31<sup>st</sup> of that year and misplaced tags can be acquired for a \$5 fee. The fee schedule for locking tags and stamps is set in statute and rarely change. The most recent fee increase occurred in 2017 and that was the first change in almost 20 years (Siegel and Grove 2021b). ADF&G does not limit the number of tags sold for big game animals or use locking tags as a method to restrict harvest.

Locking tags do not fulfill all recording and reporting requirements for hunts, which can become a source of confusion and result in unintentional violations of hunting regulations. In most Alaska state hunts, three items are required – a license, a locking tag, and a permit or harvest record<sup>7</sup>. In some instances, individuals may not realize that they need a locking tag in addition to the other requirements until they report a kill. When this occurs, ADF&G suggests they turn themselves in to state troopers. Consequences

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<sup>6</sup> Brown/grizzly bear, black bear, bison, caribou, deer, elk, goat, moose, muskox bull, muskox cow, sheep, wolf, wolverine

<sup>7</sup> For some species, an additional seal may be required. Seals can be obtained from ADF&G representatives at an ADF&G office. Sealing is required for brown/grizzly bears, black bears, lynx, wolf, wolverines and (in particular Units) sheep, sheep rams, and bull moose (ADF&G 2020a).

for non-compliance may vary. For example, the hunter may receive a verbal warning and be asked to retroactively purchase a harvest tag (Siegel and Grove 2021b) or if the enforcement officer deems the violation more serious, the consequences could be a fine of up to \$1,000 and six months in prison (AS 16.05.430).

The purchase of big game locking tags is the responsibility of the hunter, even on guided trips (Siegel and Grove 2021b). If the guide is also a vendor, individuals must purchase the locking tag before embarking on the guided hunt. The guide may not postpone the sale of the locking tag until after a successful kill occurs (Siegel and Grove 2021b). Individuals can purchase locking tags in-person, but not all vendors carry all locking tags. For example, vendors in a particular area may not sell muskox or bison locking tags if these are not common hunts in that region. In instances like these, there is a sort-of ‘hunt-down’ policy in place. Individuals may use a tag of higher value for any species with a lower-value locking tag price (a \$1,000 brown/grizzly bear tag could be used for any species with a lower value locking tag). Individuals may also purchase locking tags online through the ADF&G webstore, but tags may take up to two weeks to arrive in the mail (Siegel and Grove 2021b).

Through its eVendor program, ADF&G maintains a database of historic sales for each vendor that calculates the number of tags for each species to distribute to vendors at the start of the season. Vendors may contact ADF&G at any time to order more locking tags (Siegel and Grove 2021b). Vendors use the same online system and eVendor app as is used for king salmon stamps. Locking tag vendors are also eligible for the same commission and compensation as king salmon stamp vendors and are held to the same accountability requirements for reporting and recuperating costs – reports must be submitted monthly and vendors are liable for the cost of all sold and/or misplaced tags. The revenue from all sales of locking tags (as well as king salmon stamps and fishing licenses) goes directly into the ADF&G fund.

One issue with the implementation of locking tags has been the previously mentioned confusion around the requirement to obtain a tag in addition to other licenses and permits. This confusion has increased as the program moves to an electronic platform, as there are times when an individual may receive a harvest ticket and think it is synonymous with locking tag. When an individual purchases a license, information detailing all of the necessary items for all types of hunts is included, but misinterpretations or cited lack of knowledge of the requirements still occurs. The 2-week processing time for the locking tag also can result in individuals not having all the required supplies when last-minute online purchases are made (Siegel and Grove 2021b). An associated issue is the variation in terminology utilized on the regulatory and enforcement side and in the field. Hunters often use the words *permit* and *tag* interchangeably and therefore do not realize that these are different required items that need to be obtained (Siegel and Grove 2021b).

### **2.3 Federal Duck Stamp Program**

The Federal Duck Stamp differs from the previous two programs in that it is a Federal program and it is a conservation stamp – 98% of the proceeds from Duck Stamp sales go towards the acquisition and protection of wetland habitat and the purchasing of conservation easements for the National Wildlife Refuge System (USFWS n.d.). Duck Stamps are \$25 USD and are valid from July 1<sup>st</sup> to June 30<sup>th</sup> of the following year and must be signed by the stamp holder to be valid. Individuals 16 years or older are required to carry a Federal Duck Stamp on their person whenever they are waterfowl hunting in the United States. Depending on the location (state, or location within a state) and species being hunted, additional hunting licenses, permits, and/or conservation stamps may be required.

Duck Stamps are sold at many national wildlife refuges and U.S. Post Offices. Stores, visitor centers, gift shops, and other retail or business locations can register to sell Federal Duck Stamps through Amplex Corporation, the USFWS Duck Stamp distributor. To sell stamps, an individual wishing to become a vendor must print, fill out, and sign a Federal Duck Stamp Consignment Agreement. This is mailed to the

Amplex Corporation, who forwards it to the Department of Interior, Federal Duck Stamp Office, to be signed by the Federal Duck Stamp chief. Vendors who sell Duck Stamps purchased from Amplex Corporation are allowed to charge a service fee that the vendor deems fair and reasonable to their customers (Amplex Corporation n.d.). Vendors are required to return any unsold stamps and the funds collected from Duck Stamp sales at the end of the agreed upon sales period. The Department of Interior can elect to suspend any vendor's right to sell duck stamps if the consignment contract is violated.

Many state Department of Fish and Game websites offer the sale of Federal duck E-stamps, which enables an individual to print and use a Duck Stamp immediately. After the purchase of an E-stamp, purchasers receive a unique certificate that can be printed or carried on a mobile device and is valid for up to 45 days. Within that time, a physical Federal Duck Stamp is mailed to the purchaser. Once the physical stamp is obtained, the E-stamp is no longer valid and the physical stamp must be carried at all times when waterfowl hunting (USFWS n.d.).

Physical stamps are not linked to stamp holders by any unique identifier or number, but they do have several security tags associated with them to detect authenticity. They are printed by an approved security printer that uses the same anti-counterfeiting process as currency, postage stamps and bonds. They also have a microprint, embossing, and fluorescent added. Refuge law enforcement and the USFWS office of law enforcement receive a packet of information each year on where these indicators are located and how to discriminate legitimate stamps from counterfeits. This information is further distributed to state counterparts, as appropriate (Fellows 2021). Officers may use their own discretion and judgement when responding to violations such as hunting without a valid Duck Stamp.

Since the primary objective of the Duck Stamp Program is enhancing conservation and resource protection, administrative costs such as E-stamps, licensing, marketing, and distribution are covered by the Migratory Bird Program. Up to 2% of the revenue derived from Duck Stamp sales can be used to cover the administrative costs borne by the United States Postal Service due to their participation as a Duck Stamp vendor, but the actual amount needed to cover these costs is usually less than 2%. The Federal Duck Stamp Office does not derive any revenue from the sale of Duck Stamps (Fellows 2021).

Working with the USPS as a partner on the Federal Duck Stamp Program has enabled the sale of stamps in a widely accessible way but has also resulted in complications for the operations of the program. It is a less efficient and more expensive partner than the Amplex Corporation, but the Federal Duck Stamp Office is locked into using them due to the initial design of the Program (Fellows 2021). Overall, the Federal Duck Stamp program has been seen as a successful, yet resource intensive program to run. Each year, an art competition takes place for the design of the duck stamp and stamps have become a coveted collector's item. Both the art and conservation aspects of the program have drawn in emotional and public support.

## **2.4 Additional Recreational Fishing Harvest Tag/Stamp Programs**

Table 4 provides an overview of six additional recreational fishery harvest tag programs elsewhere in the United States and worldwide. These programs exist primarily to either improve information on catch and effort or to control harvest and are motivated by concerns of the sustainability of harvest. Although these goals differ slightly from that of the RQE program – which is to develop a mechanism to fund the purchase of halibut quota – the following still provides some valuable insight on programmatic implementation, costs, enforcement, and lessons learned from these programs.

Programs that place a limit on the number of tags do so as a means of restricting harvest, but as in the Alaska king salmon stamp program most fish-tag programs do not put a limit on the number of tags offered. The number of tags sold in unlimited tag programs varies largely depending on the species of fish that is allocated and goals of the program. In the North Carolina and Maryland program, only 2,000-3,000

free tags are claimed. In Washington, around 650,000 catch record cards for salmon, steelhead, halibut, sturgeon, and Dungeness crab are issued annually. (For context, an average of around 89,000 and 110,000 angler days were spent on charter trips in areas 2C and 3A from 2009-2019 (Table 5)). No programs allow for the resale of tags however the pink snapper tags may be given away (Government of Western Australia n.d.).

A requirement that physical tags are attached to harvested fish in addition to random checks or checkpoints can facilitate monitoring and enforcement of compliance with tag programs, whereas catch report cards facilitate data collection for program evaluation. Most programs distribute tags that are required to be attached to the fish as soon as it is caught and retained, however the Washington catch report card (CRC) and the Oregon combined harvest tag do not use physical tags. In these fisheries, anglers are provided a booklet in where they are required to document catch and locations of all fished retained.

Costs of tags for an adult resident range from \$0 to \$21.50 USD (Table 4). Revenue derived from programs where tag sales are sold separate from license sales typically produce sufficient revenue to cover added administrative costs of the tag program, but do not fully cover management, monitoring and enforcement costs (Johnston, Holland and Maharaj, et al. 2007). The revenue from tags in the Western Australia Pink Snapper program helps cover the administrative costs but does not cover the associated compliance and research program costs. The Newfoundland Cod program was designed to be cost neutral but has not achieved this goal for a number of the years it has been implemented (Johnston, Holland and Majaraj, et al. 2008). The Oregon Combined Angler Harvest Tag Program and Washington State Catch Record Cards each require additional funding to implement the programs (Johnston, Holland and Majaraj, et al. 2008). These programs contrast with the RQE, which will look to cover both the acquisition of quota and administrative costs with stamp sales, which has not been a financial requirement for any of these programs.

Resistance to tag programs primarily comes from anglers who criticize the cost of the tags, the inconvenience of using the tags, and/or the requirements to record and return logbook data (Johnston, Holland and Maharaj, et al. 2007). While logbook and catch data can aid in more accurate harvest monitoring, inaccurate data may result in an erroneous picture of the true impacts of a recreational fishery. A key element in ensuring support for harvest tag programs is the success of education and outreach programs (Johnston, Holland and Majaraj, et al. 2008).

### **3 Potential Revenue from Stamp Sales**

***Inform the Council on the amount of revenue that could be generated by the sale of the stamps for guided halibut trips in regulatory areas 2C and 3A based on past participation. Consider 10, 15, and 20 dollars per stamp. One day and three-day stamps should be considered.***

Table 5 shows the amount of gross revenue that might have been derived from a \$10, \$15, and \$20 dollar stamp based on 2009-2019<sup>8</sup> reported angler-days for Area 2C and Area 3A. Revenue calculations were based on angler-day effort instead of number of halibut harvested since the proposed halibut stamp would require all charter operators to purchase an RQE halibut stamp from the RQE for each guided angler, for each day that they intend to harvest halibut on a charter vessel, whether a halibut is harvested or not. Halibut stamps could be specific to each regulatory area, with separate funding accounts (Yamada, personal correspondence, 12/30/2020). These estimates do not account for any potential change in angler demand due to an RQE stamp requirement.

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<sup>8</sup> Data from 2020 was excluded, as charter participation was severely impacted by the COVID-19 crisis.

Guided halibut trips can range over a number of days, and the Council requested an analysis of one and three-day stamps. (The RQE has expressed an interest in offering stamps that may be valid for 1, 3, 7, or 14 days or annually (Yamada, personal correspondence, 12/30/2020).) Table 6 and Table 7 show the count of anglers who engaged in halibut fishing<sup>9</sup> for 1, 2, 3, and 4+ days per year from 2010-2019. In both Areas, most anglers only spent one day halibut fishing – an average of 45% of anglers in 2C and 77% of anglers in 3A. In both areas, close to 15% of anglers halibut fished for two days. A much higher percentage of anglers have engaged in three and four or more days of halibut fishing in Area 2C than Area 3A.

It is important to note that the data may over-estimate the number of persons who would purchase a halibut stamp, as individuals who engage in bottom fishing on charter boats could have been targeting other bottomfish besides halibut, such as ling cod or rockfish. (Webster, personal correspondence 2/22/2021). This may be more prevalent in Area 3A due to the annual limits – an angler might reach their annual 3A limit for halibut but continue to fish on subsequent days for other bottomfish. Additionally, halibut fishing days attributed to an individual fishing license may not have occurred sequentially. For example, an individual may be counted as angling for three days, but those days may have been spread out over the course of a year, and therefore the angler would have purchased three separate one-day stamps. However, the data can still give a preliminary, general idea of the utilization of a one-day versus multi-day stamp, as nonsequential fishing trips are thought to make up a small portion of the data (Hasbrouck, personal correspondence, 2/23/2020). Many charter trips are lodge-based expeditions where individuals stay at one facility and are taken out for multiple days in a row on a charter vessel.

Similar programs that offer single and multi-day stamps have a discount rate applied to the multi-day stamp. Discount rates range from 9% to 72% per day (disregarding annual passes), with a higher discount-rate-per-day applied as the number of days increases (see Table 8). If a multi-day halibut stamp with a daily discount rate is offered, the potential revenue that could be derived from stamp sales could not be predicted accurately by only looking at halibut fishing days. Understanding the breakdown between single and multi-day sales is essentially for determining a discount rate that still incentivizes an angler to purchase the multi-day stamp over multiple single-day stamps but does not negatively impact the revenue derived from stamp sales.

For the Alaska king salmon stamps, one-day stamps far outsell other categories of multi-day stamp options, but the overall sale of one-day stamps brings in 7% less overall revenue than the sale of 3-day and 10% less overall revenue of 7-day stamps (see Table 3 and Table 4) even with a daily discount rate of 33% and 57%, respectfully (see Table 8).

Table 9 and Table 10 provide an example of how a discount rate could be applied to the sale of a halibut stamp with a \$10, \$15, or \$20 single-day rate and what the impact of that could be on annual revenue, using 2019 as an example year. Based on the king salmon stamp pricing structure, a discount rate of 33% per day was applied to a 3-day stamp option and a 57% discount rate per day was applied to a 7-day stamp option. The number of sales of each stamp was estimated by aggregating the breakdown of angler days fished (Table 6 and Table 7) for 2019 and making assumptions of angler purchasing behavior – it was assumed that anglers who fished two or three days would have purchased a three-day stamp and anglers who fished four or more days would have purchased a seven day stamp. No evaluated options considered anglers who fished for more than seven days, however, these anglers make up a relatively minor component of the fishery.

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<sup>9</sup> The data considers any day where halibut were harvested or days that were open to halibut retention where bottomfish hours or statistical areas were recorded to be a halibut fishing trip. The data does not include blanks, youth anglers, or crew. Blanks and youth cannot be traced to individuals and crew cannot retain halibut under CSP provisions. From 2010 to 2019 youth accounted for 4-5% of angler days in 2C and 5-6% of angler days in 3A.

Applying a discount rate to different halibut stamp offerings had a smaller impact on the potential revenue in Area 3A compared to the potential revenue for Area 2C in 2019. The loss in revenue associated with applying a discount rate to halibut stamp sales in Area 3A ranged from about \$111,000 to \$222,000 and in Area 2C the loss ranged from around \$255,000 to \$510,000 depending on the single-day stamp price (Table 9 and Table 10). In other words, the potential revenue that could have been earned by stamp sales in 2019 would have been 11% and 24% lower in Area 3A and 2C, respectively, if stamps were offered in multi-day bundles rather than only sold as single-day stamps. Area 3A potential revenue was less impacted by the discounted stamps since a much larger proportion of anglers were only single-day anglers, so less sales would have occurred at the discounted level (Table 6 and Table 7). Selecting an appropriate discount rate will be crucial when determining the cost structure of the halibut stamp to ensure that it incentivizes the purchase of multi-day stamps without having a substantial negative impact on revenue.

The analysts want to emphasize that Table 9 and Table 10 are intended to provide a rough comparison and that the data is highly generalized. Furthermore, retrospective analysis on potential stamp purchases eliminates any potential influence that price structures and stamp requirements may have on angler buying behavior. To highlight this, a study on Alaska resident and non-resident anglers' willingness to pay (WTP) for a halibut stamp that enabled more relaxed charter halibut fishing regulations (allowing charter fishermen to catch their daily bag limit with fish of any size) compared to a stamp that only allowed status quo halibut fishing regulations found both groups only had an increased WTP for more relaxed regulations by \$2.51, an increase from \$25.32 to \$27.83 (Mitchell 2021). Future considerations and economic analysis on stamp prices, stamp offerings, discount rates, and angler WTP will result in highly varied potential revenue determinations.

#### **4 Use of Stamp Fees, Including Administrative Costs**

*Describe the amount of potential fees collected by the RQE from charter operators, and how fees would be used to purchase halibut QS and would also be used to fund administrative costs of the RQE program, and all other purposes as dictated by Federal law.*

As described in Section 3 and shown in Table 5, based on average angler days in Area 2C between 2009-2019, a \$10 fee per angler day may have generated about \$895,000, a \$15 fee per angler day may have generated about \$1.3 million and a \$20 fee could have generated about \$1.8 million per year. Based on average angler days in Area 3A between 2009-2019, a \$10 fee per angler day may have generated about \$1.1 million, a \$15 fee per angler day may have generated about \$1.7 million and a \$20 fee could have generated about \$2.2 million per year. Table 9 and Table 10 demonstrate gross revenue that would be slightly reduced from what is presented in Table 5 if there is a discount rate applied to multi-day stamps. Revenue generated would need to be used to facilitate the halibut stamp program itself as well as other administrative aspects of the RQE, and Federal cost recovery, in addition to purchasing halibut QS. The formation of one RQE rather than two was intended to share some of the administrative costs.

Probably the largest component of overhead would be design and implementation of the stamp program itself. As described in Section 5 below, it is unclear at this point which aspects of design and implementation would be the responsibility of the RQE and which aspects would be managed through NMFS. Administrative costs will not be trivial, although there will likely be internal pressure to keep cost down. For example, to the extent that the RQE takes on these roles there would be costs associated with:

- Designing and maintaining an electronic online/ offline halibut stamp system,
- Designing the paper backup stamp,
- Printing,

- Mailing,
  - For the king salmon stamps, the total mailing costs for sending licenses, stamps, permits, tags etc. can range from \$25K – \$50K per year (Grove and Siegel, personal correspondence 1/13/21).
- Accounting,
- Resources for communication and public outreach,
  - An increased communication effort will be necessary as all other angler licensing/ permits/ stamps can be purchased through ADF&G.
- There would likely need to be at least one full time employee (managing transactions, user support), possibly more depending on the level of responsibility the RQE has over the stamp program.
  - As an example, the ADF&G licensing program requires four fulltime employees for licenses and three accountants just for vendor accounts. The staff ensure that vendors have all the necessary inventory and are sent this inventory on a regular basis. The program strives to send enough stamps at the start of the year for the entire year, but sometimes must send out more within a days' notice. The accounting team receives any returned stock at the end of the year and ensures that vendor accounts and sold stock are balanced.
  - ADF&G salaries for range consideration
    - Accountant \$75,000 to 85,000 per year
    - Admin assistant \$40,000 to \$70,000
    - Fish and Game Regulatory Program Assistant \$40,000 to \$60,000
- Resources for monitoring/ enforcement/ compliance, (or coordinating with enforcement agencies if Federal enforcement is relied on)
- Legal aspects of program design
- Completion of an annual report to the Council

In addition to costs associated with stamp program design and administration, there will also be costs associated with management of the RQE in general and the process for purchasing QS. For instance, additional expenses may include:

- Salary for Executive Director and other staff as determined by the board
- Legal aspects / IRS paperwork to maintain State/ Federal requirements under non-profit status
- Funds related to general engagement with operators/ meeting expenses
- Brokerage fees associated with quota transactions
- Federal Cost Recovery Fees on quota held
  - MSA requires that cost recovery fees be collected from costs directly related to the management, data collection, and enforcement of any limited access privilege programs, which includes the Halibut and Sablefish IFQ Program. Fees are a percentage, not to exceed 3 percent, of the ex-vessel value of fish landed and debited from IFQ permits.
  - The RQE will be participating in the IFQ Program if it purchases and holds halibut quota.
  - Thus, as stated in the final rule for the RQE (83 FR 47819), the RQE will be responsible for cost recovery fees based on its annual Recreational Fisheries Quota (RFQ). In years when the RQE holds QS and the RFQ is issued to augment the charter fishery's catch limit, the charter fishery will be effectively using all of this RFQ; therefore, the RQE will be required to pay cost recovery fees on all of its RFQ. The fee will be calculated using the standard price calculated for Area 2C or 3A and the RFQ held by the RQE. This is similar to the method used to apply an ex-vessel value for guided angler fish (GAF).

The RQE would be seeking to identify and purchase halibut QS that is allowable under the transfer restrictions established in the program. The RQE may choose to use a broker or buy directly from a seller.

As it would be seeking a specific, limited type of QS that fits into its transfer eligibility in that year, this type of sale could also be solicited through a reverse auction-type of market. It may mean the RQE would need to be willing to pay a premium for the type of halibut QS it is seeking to buy. The purchase process would include negotiating the price, drafting the necessary paperwork, and submitting the RQE-specific transfer application to NMFS Restricted Access Management. When the QS transfers, the sale would close, the RQE would receive the new permits and associated documents and the net sale would be sent to the seller.

The RQE analysis expected that some commercial QS sellers may be less inclined to sell to the RQE (NMFS 2017). One broker mentioned they do not share information on who the buyer/sellers are until after there is an agreed upon purchase price (Lightsey and Bowen, personal correspondence 3/2/2021). Contracts are drawn up after there is a verbal agreement on price. Once the contract has been presented, it is possible for one party to choose to back out before signing. Still it appears there may be more anonymity in the QS transfer process if the sale is conducted through a broker.

## **5 Management of a Stamp Approval Process**

*Describe a NMFS approval process for the design specifications of the stamps, and an annual financial review of the Stamps sold and other related RQE expenses.*

To develop a halibut stamp, the Council would need to determine the roles and responsibilities of the RQE and NMFS, and perhaps other agencies. For instance, if the stamps are developed and issued directly through the RQE, there may not be a need for NMFS to approve the design specification, other than confirming whether a design is compatible with enforcement, and whether the expectation of that enforcement would come primarily from the Federal government.

If NMFS assumes a larger role in issuing the stamps, the agency would need to determine and support many aspects of the program, as summarized under administrative costs in Section 4. For instance, the agency may be responsible for designing a system where stamps are easily and efficiently distributed. Likely this would entail designing an electronic online/ offline application with user support, and a database to keep track of stamps issued. This system would need to be developed in a way that stamps could not be fraudulently used. The agency would likely need to design a paper backup system, with printing and mailing considerations. There will be significant communications and outreach associated with a new stamp requirement. Analysts note that even if the agency has a role in issuing stamps, there are certain details about stamp design, distribution, and accounting that may not need to be determined at the Council level. The analysts also note that an agency role in creating and distributing the permits must comply with the terms of the Paperwork Reduction Act.

There are some pros and cons to consider in establishing roles and responsibility of the stamp concept. While this list of responsibilities will certainly come at a cost, soliciting the agency to lead on these responsibilities will not necessarily spare the RQE all the related expenses, as cost recovery is attached to any use of a limited access privilege, such as halibut IFQ; therefore, by regulation, the RQE would be subject to cost recovery fees for the halibut quota it holds (see Section 4). Typically, non-governmental bodies have more flexibility in contracting and soliciting bids with programmers and there may be efficiencies to consider in management through the RQE. Moreover, it does not appear there is a way for NMFS to collect money from charter operators and direct those funds back for purposes of the RQE without additional changes to Federal law. Benefits to having NMFS issue stamps may include a possible elevated perception of program legitimacy. Additionally, NMFS may need to have a greater role if there is a need for assessing confidential data.

The design features of a halibut RQE stamp will depend on whether the stamp is physical and materially printed or is electronic – or both. Experienced staff at ADF&G strongly recommended that RQE halibut stamps should be issued electronically, as much as possible. Some of the deficiencies of paper stamps include printing considerations, where the stamps must be printed in a way where they are difficult to copy or falsify; difficulties in distributing printed stamps quickly and efficiently to persons who need them; and accounting and administrative costs of printed stamps.

Current regulations do not prescribe the means by which persons or entities finance their purchases of halibut QS, and this includes the RQE. The Council and NMFS did not identify a management need for the RQE to identify the means that it should use to raise funds to purchase QS. However, current regulations do contain annual reporting requirements by the RQE to the Council and NMFS. Among other things, the report requires that each year the RQE detail all QS transactions, including the amount paid for QS, and also for the activities and expenses of the RQE.

Regulations at 50 CFR 679.5 require the RQE to complete an annual report of its administrative and business operations for each calendar year that it holds halibut recreational fishing quota. The RQE is currently required to include the following general information in its annual report:

- 1) any changes to the bylaws, board of directors, or other key management personnel of the RQE during the preceding year;
- 2) amount and descriptions of annual administrative expenses;
- 3) amounts and descriptions of funds spent on conservation, research, and promotion of the halibut resource and a summary of the results; and
- 4) amounts and descriptions of all other expenses.

Additionally, the RQE is required to submit the following information by regulatory area:

- 1) the total amount of halibut QS by vessel category and block held by the RQE at the start of the calendar year, on October 1, and at the end of the calendar year;
- 2) a list of all transfers (purchases, sales, and any other transfers) of halibut QS, including transaction prices if applicable; and
- 3) the number of CHPs and associated angler endorsements purchased and held by the RQE.

Note the reporting requirements are a requirement for each calendar year that the RQE holds halibut recreational fishing quota. The RQE may therefore be in a position where it raises funds for a period of time but has not yet purchased quota. In that case, under current regulations, the RQE would not be required to file a report to the Council or NMFS.

Also note that under current regulations, the RQE is not required to report on its sources of funding or the total amount of funding it holds in reserve, both before and after it acquires halibut quota shares. The absence of these regulations does not mean that the RQE could not voluntarily submit a report to the Council and NMFS. Additionally, the RQE may bear a responsibility of transparency to periodically report to the charter operators, from whom the fees would be collected.

## **6 Monitoring and Enforcement of a Stamp Program**

*Monitoring and enforcement provisions if all guided halibut fishermen are required to be in possession of a valid RQE Halibut Stamp when harvesting charter halibut.*

In order for the halibut stamp concept to be effective there needs to be a way to enforce the requirement to purchase the stamp. As described with the examples in Section 2, State and Federal license/permits/stamps typically have an in-the-field enforcement component and sometimes an out-of-the-field enforcement component. They also rely on joint management between State and Federal agencies.

### **Existing Monitoring and Enforcement of Federal Charter Regulations**

Currently the Alaska NOAA Fisheries Office of Law Enforcement, (OLE) collaborates with the State of Alaska, Alaska Wildlife Troopers (AWT) under a Joint Enforcement Agreement. Federal enforcement officers and AWT frequently work together during investigations, patrols, and on at-sea or dockside boardings to investigate violations. The Joint Enforcement Agreement determines the roles of the State enforcement officers when they operate independently. Under the agreement, State agrees and is authorized to assist OLE in the enforcement of federal fisheries by patrolling, performing investigations and referring violations to OLE. The State is then monetarily compensated by OLE for work performed under JEA up to the limit specified in the agreement. This assistance centers on violations where resource management or conservation issues are a priority. For example, AWT officers frequently help enforce halibut size and bag limits and Charter Halibut Permit (CHP) requirements.

In addition to on-the-water enforcement, OLE uses the CHP database and ADF&G charter logbook data to support Federal investigations. Officers typically receive logbook data from ADF&G once a year after the season has ended. The CHP data (which includes characteristics like regulatory area and angler endorsements) is electronically merged with ADF&G logbook data (which includes a space for charter captains to report the CHP number they are using on a trip). Officers then review and audit the information for inconsistencies and potential violations. Some typical violations that involve the improper use of a CHP include using an invalid permit, fishing a CHP in an incorrect management area, or operating as a charter operator without a CHP.<sup>10</sup> Many of these violations are difficult to discover and enforce in the field and become apparent only after officers scrutinize the combined CHP and logbook data.

Enforcement can be more effective if potential violations are identified quickly. Violations that are identified in the field allow the officer an opportunity to ask questions about the discrepancy. If a violation is not identified in the field, and it takes several months to audit these data, a CHP holder and/ or charter guide may not remember the situation well enough to explain their case. Moreover, when the fishing season is over, OLE officers can have difficulty in tracking down associated parties to inquire about discrepancies in the data.

While logbook data have supported investigations in the past, ADF&G has expressed concern that attaching enforcement uses to logbook data could lead to non-reporting and may compromise the quality of the data. Logbooks were designed for resource management and not specifically as an enforcement tool. Thus, ADF&G staff have expressed concern about any expanded enforcement use that may compromise its primary intent.

### **Monitoring and Enforcement for a Halibut Stamp**

The current halibut stamp concept would require operators to ensure that all guided halibut anglers possess a charter halibut stamp prior to departing on a halibut trip. This stamp would likely need to be time stamped and linked to an individual angler. It may include other angler characteristics necessary for

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<sup>10</sup> Previously, OLE had investigated several cases a year where multiple versions of a single CHP have been used (e.g., Version A as well as Version B). Occasionally, the various versions of permits are used on the same day by more than one vessel. A recent action to require CHP annual renewal was intended to reduce confusion and increase compliance with the requirement to carry a valid CHP (NMFS 2018).

connecting the stamp to a particular day and a particular person (for example, name, the charter operator that issues the stamp, and/ or signature). Similar to other State and Federal requirements, there may be a component of on-the-water enforcement. For instance, a law enforcement officer would check for a valid halibut stamp for each guided angler halibut fishing in addition to a fishing license, CHP for the vessel and, if necessary, king salmon stamps. Additionally, enforcement may include a component of off-the-water investigation or auditing. As discussed below, OLE representatives have several concerns with this role and the additional resources required to fulfill it.

Analysts note that from the legislative language stated in Section 1.2 it appears that the financial liability for charter anglers to be in possession of this stamp would be assigned to the charter operator. Charter operators could choose whether to pass on the cost of the stamp to the angler directly, but unlike the state programs – king salmon stamp etc., the operator would be the person held responsible for the use of halibut stamps on his/her vessel and for passing the collected funds to the RQE.

Currently, AWT conducts the majority of patrols and boardings of guided and unguided sport fishing vessels in Alaska. If AWT encounters violations of Federal sport fishing regulations, the cases are referred to NOAA Fisheries for further action. The Joint Enforcement Agreement does not compel the Alaska Wildlife Troopers to enforce regulations that are specific to the RQE and the collection of fees from charter operators. Similar to the enforcement of other Federal rules, AWT enforcement of regulations associated with the RQE would be at the discretion of the State of Alaska.

### **OLE Perspective**

OLE representatives highlighted several questions and concerns with the proposed halibut stamp concept. The primary concern is that NOAA OLE would be using its resources to enforce what seems to be a civil funding mechanism between a non-profit organization and the private entities it represents. They have expressed concern to be enforcing a concept that is intended to generate a private benefit (i.e., compensated reallocation of halibut between sectors) and not fisheries conservation or management of the stock.

OLE representatives raised questions about the potential for Federal and State resources that could be allocated to this effort. Issuing and prosecuting violations is costly. There is a lengthy process required to investigate and document a potential violation, followed by a collaborative effort with NOAA General Council to prosecute the violation and determine fines and penalties. These are Federal (and potentially State) costs allocated to enforce what appears to be primarily a civil, contractual relationship between the RQE and the charter operators.

The RQE concept as well as the funding mechanism is clearly unique. OLE representatives saw some parallels related to North Pacific cooperative programs. However, cooperatives function under civil contractual agreements with their members, in which breach of contracts are dealt with between the coop and the members or through civil court.

While the Council is currently focused on a user-based fee system through the halibut stamp, OLE representatives suggested the Council reconsider the other concepts that do not require on-the-water enforcement. For instance, an annual fee to operators might be a simpler, more cost-effective concept. The stamp concept would require operators to purchase a halibut stamp for each halibut angler on their vessel which they carry with them for the duration of the charter halibut fishing trip. As has been demonstrated through current ADF&G annual permitting and licensing services, particularly when it is necessary to have physical copies as an option and when on-the-water enforcement is required, the system is going to be somewhat complex and resource intensive. A straight annual operator-based fee could result in substantially less inter-agency/ RQE complexity and overhead cost to administer.

However, analysts note that this option may not be in line with the intent of action (i.e., more closely aligning the benefits/costs with the individual anglers) and the burden would not necessarily be proportionately distributed relative to angler effort. For example, unless the fees were based on number of halibut anglers an operation took fishing in the year, an operation that took 20 anglers halibut fishing might contribute the same as an operation that took 400 anglers halibut fishing. In order for the RQE to design an annual fee that was scaled to an operator's associated angler effort, the RQE would either need to have access to confidential ADF&G logbook data (which may not be possible) – or they may need to develop an additional reporting requirement to track charter operator activity, which again may require an enforcement component.

OLE representatives mentioned that if the Council does move forward in consideration of this user-fee concept, a physical “stamp” may not be the best option. More anglers are moving to electronic licenses, etc. and so they may not have a place to adhere a physical stamp. They suggested a separate type of card. This recommendation is consistent with ADF&G staff who warned against a small, physical stamps that can easily be lost and misplaced and recommended a system as electronic as possible.

Given the hundreds of thousands of charter halibut anglers that participate in Area 2C and 3A each year, many from out of state, OLE representatives also mentioned that there is a need for some accountability on the operator to ensure the angler is informed about this new stamp. The mention of a halibut stamp requirement might not be included in the ADF&G sport fishing regulation books that many anglers consult for other hunting and fishing regulations. OLE representatives suggest there would need to be some level of liability on the operator under this concept. This recommendation appears to be consistent with current legislative language which suggests the fee collection would be from the operator.

## **7 Conclusion and Next Steps**

Previously implemented tag and stamp programs can offer insight into lessons learned and issues that should be taken into consideration in the development of a user-fee type funding mechanism for the RQE. For the sale of a stamp or tag, vendor partnerships and resources should be developed to make interactions as easy and efficient as possible. Having a digital platform for vendor sales makes record keeping and payment collection much simpler and more accurate. The benefits derived from a digital platform could be further increased if it can operate both on and offline. Clear terminology that is used consistently by regulators, enforcement, and charter operators and anglers is also critical for ensuring participants have a clear understanding of the requirements and rules of a stamp program. Confusion regarding terminology could potentially manifest in reference to a halibut stamp program if the required endorsement program does not end up utilizing an actual, physical stamp. Education, outreach, and clear communication of program goals are essential to have angler and charter operator support. All charter operators are required to participate in the RQE and therefore operators should be kept abreast of developments on how the RQE will be funded and engaged in conversations on proposed program operations to ensure buy-in from the entire industry.

NOAA OLE representatives noted their concern regarding the amount of Federal resources that could potentially be required to enforce a halibut stamp. They also noted that Federal enforcement may not be appropriate for issuing violations pertaining to the RQE halibut stamp since the purpose of the stamp is for the non-profit, private entity to raise funds and not for the conservation and management of the stock. In their opinion, violations related to the RQE stamp should be treated as a breach of contract between the RQE and its members (the charter halibut operators) and settled in civil courts. OLE strongly encourages that the Council consider other funding mechanisms that may require less overhead and be simpler to implement in addition to a halibut stamp program.

The objective of the RQE is to purchase commercial halibut QS so that it may relax certain management measures (bag limits, size restrictions, day of the week closures, etc.) and provide more opportunity for charter halibut anglers. The ability to achieve this objective depends both on revenue generated as well as administrative costs incurred. This discussion paper provides some estimates of possible revenue that may be generated from stamps based on past angler effort and different price structure. The more difficult question at this stage is a reliable estimate of administrative costs, which in part depends on how the stamp program is designed and administered and the roles of NMFS versus the RQE.

The Council's further considerations will be based on the extent of the role NMFS will have in the implementation of the RQE Program funding mechanism. If the Council determines that NMFS should have an expanded role in the administration, oversight, and enforcement of the RQE and its funding mechanism then any alternatives may need to be somewhat more specific. If the majority of the management of the RQE is to be delegated to the RQE itself and the extent of NMFS role is the oversight of quota transfer between the commercial and charter sector and possibly on-the-water enforcement of the stamp, then many details do not need to be established in regulations and alternatives can leave more of the decision-making up to the discretion of the RQE.

After reviewing this discussion paper, the Council may elect to ask for an expanded discussion paper on any additional questions or may request an initial review if they determine there is sufficient information to develop purpose and need statement and a clear set of alternatives.

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## 9 Appendix 1: Tables and Figures

**Table 1 ADF&G king salmon stamp fee structure**

Resident annual	Nonresident 1-day	Nonresident 3-day	Nonresident 7-day	Nonresident 14-day	Nonresident annual	Nonresident military annual
\$10	\$15	\$30	\$45	\$75	\$100	\$30

Source: (ADF&G 2021)

**Table 2 Quantity of non-resident king salmon stamps issued 2013-2020**

	Average	2019		2018		2017		2016		2015		2014		2013	
<b>Annual</b>	<b>4%</b>	4,243	4%	3,896	4%	4,741	4%	4,373	4%	3,879	4%	2,784	3%	2,569	3%
<b>1-Day</b>	<b>40%</b>	40,197	41%	39,466	39%	45,022	43%	43,726	40%	40,749	40%	35,305	40%	30,844	39%
<b>3-Day</b>	<b>26%</b>	25,831	26%	27,599	28%	26,163	25%	28,466	26%	25,690	25%	23,228	26%	20,123	26%
<b>7-Day</b>	<b>27%</b>	25,613	26%	26,798	27%	26,369	25%	29,256	27%	26,954	27%	24,055	27%	22,015	28%
<b>14-Day</b>	<b>3%</b>	2,419	2%	2,433	2%	3,062	3%	4,559	4%	4,099	4%	2,960	3%	2,843	4%
<b>Total</b>		98,303		100,192		105,357		110,380		101,371		88,332		78,394	

Source: ADF&G; 2011-2020 Qty King Salmon Stamps Issued.xls

**Table 3 Gross revenue of non-resident king salmon stamps issued 2013-2020**

	Avg.	2019		2018		2017 <sup>1</sup>		2016		2015		2014		2013	
<b>Annual</b>	<b>15%</b>	424,300	14%	389,600	12%	474,100	14%	437,300	17%	387,900	17%	278,400	14%	256,900	15%
<b>1-Day</b>	<b>18%</b>	600,795	19%	589,510	18%	669,295	20%	437,260	17%	407,490	18%	353,050	18%	308,440	17%
<b>3-Day</b>	<b>24%</b>	774,880	25%	826,610	26%	779,140	23%	569,320	22%	513,800	22%	464,560	24%	402,460	23%
<b>7-Day</b>	<b>36%</b>	1,152,570	37%	1,205,265	38%	1,175,865	35%	877,680	34%	808,620	35%	721,650	37%	660,450	37%
<b>14-Day</b>	<b>7%</b>	181,425	6%	182,475	6%	228,675	7%	227,950	9%	204,950	9%	148,000	8%	142,150	8%
<b>Total</b>		3,133,970		3,193,460		3,327,075		2,549,510		2,322,760		1,965,660		1,770,400	

Source: ADF&G; 2011-2020 Qty King Salmon Stamps Issued.xls

<sup>1</sup>Non-resident king salmon stamp prices increased in 2017 by \$5 for a 1-day stamp, \$10 for a 2-day stamp, \$15 for a 7-day stamp, and \$25 for a 14-day stamp.

**Table 4 Comparison of stamp/tag program specifications**

<b>Program location</b>	<b>Species</b>	<b>Tag type (attached vs catch card)</b>	<b>Allocation method</b>	<b>Cost of tags for adult residents</b>	<b>Tags create annual limit on individual/total harvest</b>	<b>Mandatory harvest reporting</b>
<b>Alaska</b>	King Salmon	Stamp on license or separate	With license or purchase	US\$10	No/No	Yes
<b>Shark Bay, Western Australia</b>	Pink Snapper	Attach	Lottery	AUS\$10	Yes/Yes	No
<b>Missouri River, South Dakota</b>	Paddlefish	Attach	Lottery	US\$5	Yes/Yes	No
<b>Newfoundland</b>	Cod	Attach	With license	Free with license	Yes/No	Yes
<b>North Carolina and Maryland</b>	Bluefin tuna, white and blue marlin, sailfish, swordfish	Attach (acquired upon landing)	Provided at designated landing spots	Free	No/No	N.A.; tag acquired only when used
<b>Washington</b>	Salmon, steelhead, halibut, sturgeon, Dungeness crab	Record on card	Purchase in addition to license	First card free with license, US\$10 plus dealer fee for additional cards	Yes/No	Yes
<b>Oregon</b>	Salmon, steelhead, halibut, sturgeon	Record on card	Purchase in addition to license	US\$21.50	Yes/No	No

Sources: (ADFG 2018, Johnston, Holland and Maharaj, et al. 2007, Government of Western Australia n.d.)

**Table 5 Revenue calculations based on different stamp fee levels applied to charter anglers**

<b>2C</b>	<b>Charter Angler Days</b>	<b>\$10</b>	<b>\$15</b>	<b>\$20</b>
2009	74,428	\$744,280.00	\$1,116,420.00	\$1,488,560.00
2010	77,983	\$779,830.00	\$1,169,745.00	\$1,559,660.00
2011	72,934	\$729,340.00	\$1,094,010.00	\$1,458,680.00
2012	75,463	\$754,630.00	\$1,131,945.00	\$1,509,260.00
2013	81,755	\$817,550.00	\$1,226,325.00	\$1,635,100.00
2014	90,413	\$904,130.00	\$1,356,195.00	\$1,808,260.00
2015	94,804	\$948,040.00	\$1,422,060.00	\$1,896,080.00
2016	96,264	\$962,640.00	\$1,443,960.00	\$1,925,280.00
2017	104,281	\$1,042,810.00	\$1,564,215.00	\$2,085,620.00
2018	108,700	\$1,087,000.00	\$1,630,500.00	\$2,174,000.00
2019	106,753	\$1,067,530.00	\$1,601,295.00	\$2,135,060.00
<b>Average</b>	89,434	\$894,343.64	\$1,341,515.45	\$1,788,687.27
<b>3A</b>	<b>Charter Angler Days</b>	<b>\$10</b>	<b>\$15</b>	<b>\$20</b>
2009	110,886	\$1,108,860.00	\$1,663,290.00	\$2,217,720.00
2010	118,431	\$1,184,310.00	\$1,776,465.00	\$2,368,620.00
2011	117,810	\$1,178,100.00	\$1,767,150.00	\$2,356,200.00
2012	117,647	\$1,176,470.00	\$1,764,705.00	\$2,352,940.00
2013	119,078	\$1,190,780.00	\$1,786,170.00	\$2,381,560.00
2014	109,034	\$1,090,340.00	\$1,635,510.00	\$2,180,680.00
2015	104,643	\$1,046,430.00	\$1,569,645.00	\$2,092,860.00
2016	108,766	\$1,087,660.00	\$1,631,490.00	\$2,175,320.00
2017	101,463	\$1,014,630.00	\$1,521,945.00	\$2,029,260.00
2018	101,756	\$1,017,560.00	\$1,526,340.00	\$2,035,120.00
2019	103,591	\$1,035,910.00	\$1,553,865.00	\$2,071,820.00
<b>Average</b>	110,282	\$1,102,822.73	\$1,654,234.09	\$2,205,645.45

Source: (Webster and Powers 2020); Tag-Potential-Revenue.xlsx

**Table 6 Area 2C – Halibut Days fished per individual charter angler**

Year	Days Fished				Total Anglers
	1	2	3	4+	
2010	42%	15%	23%	20%	31,967
2011	42%	16%	24%	18%	30,458
2012	42%	15%	24%	18%	31,553
2013	43%	13%	24%	20%	33,734
2014	42%	15%	25%	18%	37,721
2015	43%	15%	25%	17%	40,576
2016	44%	15%	25%	16%	41,841
2017	46%	14%	24%	16%	45,914
2018	50%	14%	22%	14%	49,731
2019	51%	14%	22%	13%	49,930
<b>Average</b>	45%	15%	24%	17%	39,343

Source: ADF&G; Halibut Days Fished per Angler\_2010\_2020-3.3.2021.xlsx

**Table 7 Area 3A – Halibut Days fished per individual charter angler**

Year	Days Fished				Total Anglers
	1	2	3	4+	
2010	76%	15%	5%	3%	80,678
2011	76%	16%	5%	3%	79,696
2012	75%	16%	5%	4%	78,456
2013	75%	16%	5%	3%	80,749
2014	75%	16%	5%	3%	74,019
2015	77%	15%	5%	2%	73,820
2016	78%	16%	4%	2%	78,348
2017	78%	16%	4%	2%	73,223
2018	78%	16%	4%	2%	73,847
2019	78%	16%	4%	2%	74,357
<b>Average</b>	77%	16%	5%	3%	7,6719

Source: ADF&G; Halibut Days Fished per Angler\_2010\_2020-3.3.2021.xlsx

**Table 8 Discount rates in stamp and licensing programs**

License	1-Day Cost	Multi day rates		
		Number of days	Cost	Discount rate per day
<b>AK Nonresident Sport Fishing</b>	\$15	3	\$30	33%
		7	\$45	57%
		14	\$75	64%
		365 (annual)	\$100	98%
<b>AK Nonresident King Salmon</b>	\$15	3	\$30	33%
		7	\$45	57%
		14	\$75	64%
		365 (annual)	\$100	98%
<b>WA Combination</b>	\$11.35	2	\$15.75	20%
		3	\$19.05	44%
<b>OR Nonresident/Resident Angling</b>	\$23	2	\$42	9%
		3	\$59.50	14%
		7 (NR only)	\$93.50	42%
<b>VI Nonresident Freshwater</b>	\$8.00	5	\$21.00	48%
<b>ME Nonresident Fishing</b>	\$11	3	\$23	30%
		7	\$43	44%
		15	\$47	72%
<b>MI Nonresident Freshwater</b>	\$8.00	3	\$15.00	38%

Sources: (ADFG 2018, WDFW n.d., ODFW 2021, VADWR n.d., MEIFW n.d., MDWFP n.d.)

**Table 9 Area 2C 2019 potential revenue at different halibut stamp prices with different discount rates applied**

Stamp	Estimated 2019 Sales	Daily discount rate <sup>1</sup>	Price structure based on daily stamp price					
			Price	Revenue	Price	Revenue	Price	Revenue
<b>1-day</b>	25,510	0%	\$10	\$255,100.00	\$15	\$382,650.00	\$20	\$510,200.00
<b>3-day</b>	17,752 <sup>2</sup>	33%	\$20.10	\$356,815.20	\$30.15	\$535,222.80	\$40.20	\$713,630.40
<b>7-day</b>	6,668 <sup>3</sup>	57%	\$30.10	\$200,706.80	\$45.15	\$301,060.20	\$60.20	\$401,413.60
<b>Total potential revenue</b>				\$812,622.00		\$1,218,933.00		\$1,625,244.00
<b>2019 revenue from non-discounted stamp fee structure<sup>4</sup></b>				\$1,067,530.00		\$1,601,295.00		\$2,135,060.00
<b>Difference in potential revenue</b>				\$254,908.00		\$382,362.00		\$509,816.00

Source: ADF&G; Discount-Rate-Scenario.xlsx

<sup>1</sup>See Table 6

<sup>2</sup>To estimate the number of 3-day stamps sold, it was assumed any angler fishing 2 or 3 days would purchase a 3-day stamp, totals for 2- and 3-day anglers were combined.

<sup>3</sup>To estimate the number of 7-day stamps sold, it was assumed any angler fishing 4 or more days would purchase a 7-day stamp.

<sup>4</sup>See Table 5

**Table 10 Area 3A 2019 potential revenue at different halibut stamp prices with different discount rates applied**

Stamp	Estimated 2019 sales	Daily discount rate <sup>1</sup>	Price structure based on daily stamp price					
			Price	Revenue	Price	Revenue	Price	Revenue
<b>1-day</b>	57,878	0%	\$10	\$578,780.00	\$15	\$868,170.00	\$20	\$1,157,560.00
<b>3-day</b>	15,017 <sup>2</sup>	33%	\$20.10	\$301,841.70	\$20.10	\$452,762.55	\$40.20	\$603,683.40
<b>7-day</b>	1,462 <sup>3</sup>	57%	\$30.10	\$44,006.20	\$45.15	\$66,009.30	\$60.20	\$88,012.40
<b>Total potential revenue</b>				\$924,627.90		\$1,386,941.85		\$1,849,255.80
<b>2019 revenue from non-discounted stamp fee structure<sup>4</sup></b>				\$1,035,910.00		\$1,553,865.00		\$2,071,820.00
<b>Difference in potential revenue</b>				\$111,282.10		\$166,923.15		\$222,564.20

Source: ADF&G; Discount-Rate-Scenario.xlsx

<sup>1</sup>See Table 7

<sup>2</sup>To estimate the number of 3-day stamps sold, it was assumed any angler fishing 2 or 3 days would purchase a 3-day stamp, totals for 2- and 3-day anglers were combined.

<sup>3</sup>To estimate the number of 7-day stamps sold, it was assumed any angler fishing 4 or more days would purchase a 7-day stamp.

<sup>4</sup>See Table 5