



**NOAA**  
**FISHERIES**

# NMFS Cost Recovery

## IFQ Halibut/Sablefish

### 2016

Sustainable  
Fisheries  
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# IFQ Halibut and Sablefish Cost Recovery for Fishing Year 2016

## Cost Recovery

Section 304(d)(2)(A) of the Magnuson–Stevens Fishery Conservation and Management Act (MSA), enacted in late 1996, obligates the National Marine Fisheries Service (NMFS) to recover the actual costs of management, data collection, and enforcement of the Individual Fisheries Quota (IFQ) Program for the Fixed-Gear Commercial Fisheries for Pacific Halibut and Sablefish in Waters in and off Alaska. The law provides that the fee be paid by IFQ fishermen and that the fee is based on the ex-vessel value of fish landed under the IFQ Program. The MSA limits the fee liability for IFQ fishermen to 3 percent of the annual ex-vessel value in dollars, goods, and services.

Cost recovery funds are deposited in the Limited Access System Administrative Fund (LASAF). Funds in this account are available only to the Secretary of Commerce and must be spent on IFQ Program management, data collection, and enforcement. This report reviews the cost recovery requirements and responsibilities of fishery participants and NMFS; how the fee is determined; what IFQ Program costs were paid for by the fee; and compares cost recovery fees in 2016 to 2015.

## Requirements and Responsibilities

### *For IFQ Permit Holders*

IFQ permit holders are responsible for fees owed for all landings on their permit(s), regardless of whether their IFQ pounds were from their own quota share (QS) or leased from another QS holder and regardless of whether a permit holder or a hired skipper made the landings. IFQ permit holders are also responsible for fees owed for all landings of their halibut IFQ leased as guided angler fish (GAF) to a person holding a Charter Halibut Permit issued by NMFS.

Permit holders must pay their fee no later than January 31 of the year after the calendar year of the landings. Permit holders may pay the amount billed, which is NMFS' calculation of the annual fee owed, based on standard ex-vessel prices and values; or permit holders may pay an amount based in whole or in part on actual ex-vessel value from the sale of their IFQ halibut or sablefish. If they choose this option, they must be prepared to demonstrate, with written documentation, how much money or other value they received for those IFQ landings.

**Penalties:** Failure to pay on time results in NMFS action against the permit holder's QS holdings and additional monetary charges, fines, and/or permit sanctions. If a permit holder fails to pay by January 31, his/her QS/IFQ will become nontransferable until the fee liability is satisfied, and he or she may not receive QS or IFQ by transfer.

The NMFS, Alaska Region, Operations and Management Division (OMD) will issue an Initial Administrative Determination letter (IAD) outlining the permit holders right to an appeal. The Permit holder must respond within 30 days or administrative fees, interest, and penalties will be charged.

If the account is not paid within the 30 days provided by the IAD, in addition to fees, interest, and penalties, the permit holder's IFQ permit account may be sanctioned and the permit holder may be unable to fish until the fee liability is satisfied. Additional fines may also apply.

### ***For IFQ Registered Buyers***

Registered Buyers acting as shoreside processors must report the monetary value and amount of purchased pounds of IFQ halibut and sablefish by species, month, and port. This information is essential for calculating annual standard ex-vessel prices of IFQ fish. Reports are due to NMFS by October 15 each year and can be submitted on-line or on paper forms.

### ***For NMFS***

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

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

### **The 2016 IFQ Program Cost Recovery Fee Percentage**

NMFS announced that the 2016 IFQ fee percentage was set at 3.0 percent (81 FR 89900; December 13, 2016). Under cost recovery regulations, IFQ permit holders who used their permits to make landings of IFQ halibut or IFQ sablefish during the 2016 IFQ Program fishery or who leased halibut IFQ that was landed as GAF during the 2016 charter halibut fishery were

obligated to pay 3.0 percent of the total ex-vessel value from the sale of their IFQ Program fish. The fee percentage derives from two sources:

- The total fishery value of the IFQ Program fisheries for 2016; and
- The direct program costs for the IFQ Program as compiled from actual expenditures during Federal fiscal year (FY) 2016.

These sources are discussed below.

### ***Total fishery Value of the IFQ Program Fisheries***

Total fishery value is determined from ex-vessel prices, which differ between IFQ species, from port to port, and with the time of year. To account for price variability in the annual fee, NMFS calculates an average ex-vessel price for each species, port of landing, and month and uses these standard prices to calculate the total fishery value of the IFQ fisheries.

NMFS used the 2016 Registered Buyer data to calculate the average ex-vessel price for each species, port, and month. Then the amount of IFQ species products delivered to each port or port group, by month, was multiplied by this average ex-vessel price, called “standard” ex-vessel price to calculate the “standard” ex-vessel values. The total fishery value of the IFQ fisheries is the sum of standard ex-vessel values for each IFQ species, port, and month. The total fishery value of the IFQ Program fisheries based on standard ex-vessel values in 2016 was \$189,455,394. The total fishery value for the halibut IFQ was \$111,769,226 and the total fishery value for sablefish was \$77,686,168.

### ***Direct Program Costs for the IFQ Program***

The other part of determining the fee is calculating the direct program costs to manage the IFQ Program, collect data from the IFQ fisheries, and conduct enforcement. Note these costs are incremental: the costs would not have been incurred except for the IFQ Program. Cost recovery fees do not increase agency budgets or expenditures. The fee offsets funds that would otherwise have been appropriated, except the International Pacific Halibut Commission (IPHC) and Alaska Department of Fish and Game (ADF&G) expenditures, for which there is no direct appropriation. No budgetary advantage is gained by inflating costs.

To arrive at these annual costs, in October NMFS, IPHC, and ADF&G each calculate their direct program costs for the IFQ Program. NMFS separates costs by operating units including NMFS Restricted Access Management (RAM), NMFS Information Services Division (ISD), NMFS Office of Law Enforcement (OLE), NMFS Sustainable Fisheries (SFD), NMFS Financial Service Division (FSD), NMFS Operations and Management Division (OMD), and NMFS Regional Administrator Office/Office of Administrative Appeals (RAO/Appals).

Examples of the types of tasks that were included under the 2016 IFQ direct program costs are:

- analysis and rulemaking activities: regulations to authorize longline pot gear in the Gulf of Alaska sablefish IFQ fishery, revision of cost recovery payment methods (SFD),
- IFQ Program review (SFD, RAM),

- maintenance of the electronic reporting systems, including the catch accounting system (ISD, ADF&G),
- programming and web design for online applications (ISD),
- programming QS database and reissuing QS in response to court order for *Fairweather Fish, Inc. and Captain Ray Walsh v. Pritzker* (RAM, ISD),
- issuance of IFQ and hired master permits, responding to questions about permits (RAM),
- transfers of QS and IFQ, responding to questions about transfers (RAM),
- annual transfer report (RAM),
- determine standard ex-vessel prices using value and volume reports submitted by IFQ Registered Buyers (RAM),
- fee determination and collection process (OMD),
- port sampling (IPHC),
- processing North Pacific IFQ loan program applications (FSD)
- inspections, boardings, investigations, and enforcement activities (OLE)

**Calculation of the 2016 Fee Percentage**

The annual fee percentage is calculated using the following formula:

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

NMFS divides the direct program cost (DPC) by the total fishery value (V) of the IFQ Program fisheries, and then multiplies by 100 to calculate a percentage. The result is the *fee percentage*. The steps to calculate the 2016 fee percentage are as follows:

<b>Formula for calculating the 2016 fee percentage</b>		
<b>Factor</b>	<b>Value</b>	<b>Activity</b>
Direct Program Costs (DPC)	\$5,902,497	divide by V
Total Fishery Value (V)	\$189,455,394	multiply by 100
=	3.12*	round to nearest 0.1 percent
<b><i>Rate for 2016 IFQ Program = 3.0 percent</i></b>		

\* The fee liability percentage cannot exceed 3 percent.

**Summary of the 2016 Fee Percentage**

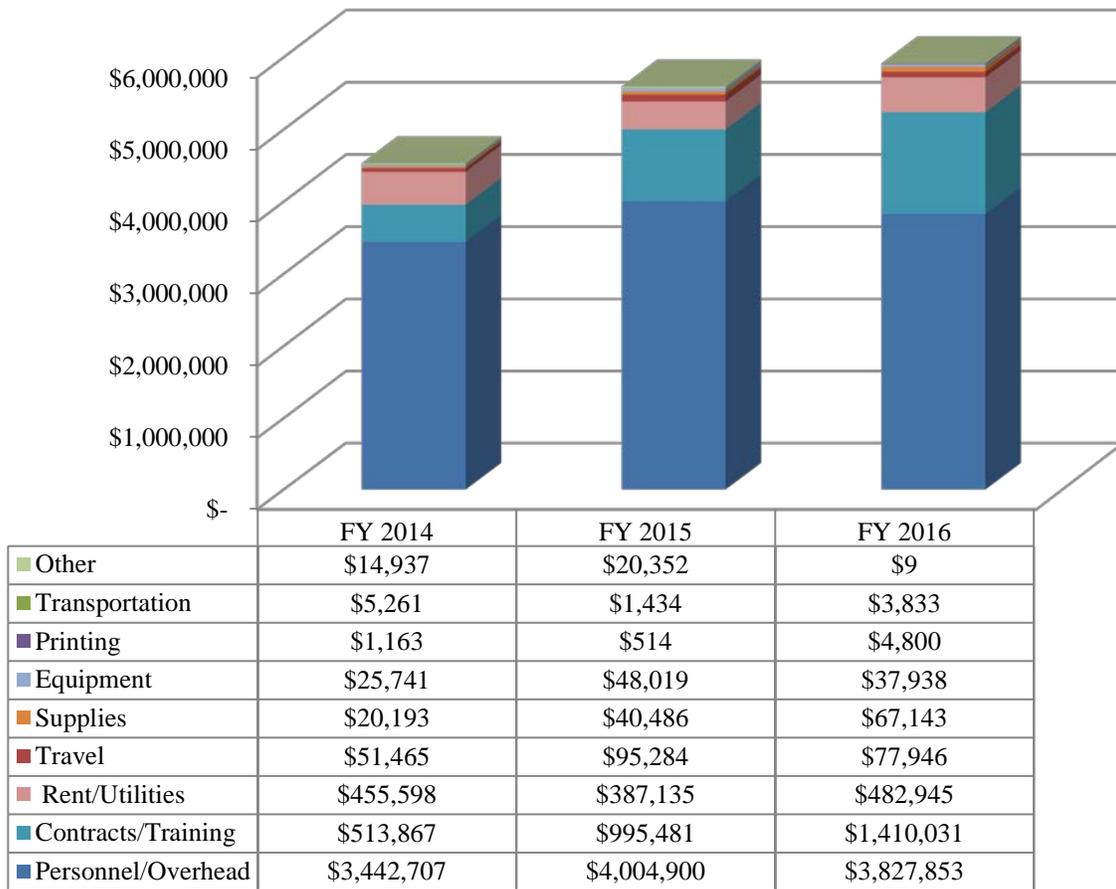
**Direct Program Costs**

The 2016 fee liability percentage of 3.0 is identical to the 2015 fee percentage (80 FR 78172; December 16, 2015). Direct program costs for FY 2016 were \$5.9 million, which reflects an increase of \$309,000 or 5 percent from FY 2015. NMFS incurred higher costs in the RAM operating unit in 2016 to maintain IFQ permit databases. Additionally, ADF&G incurred higher

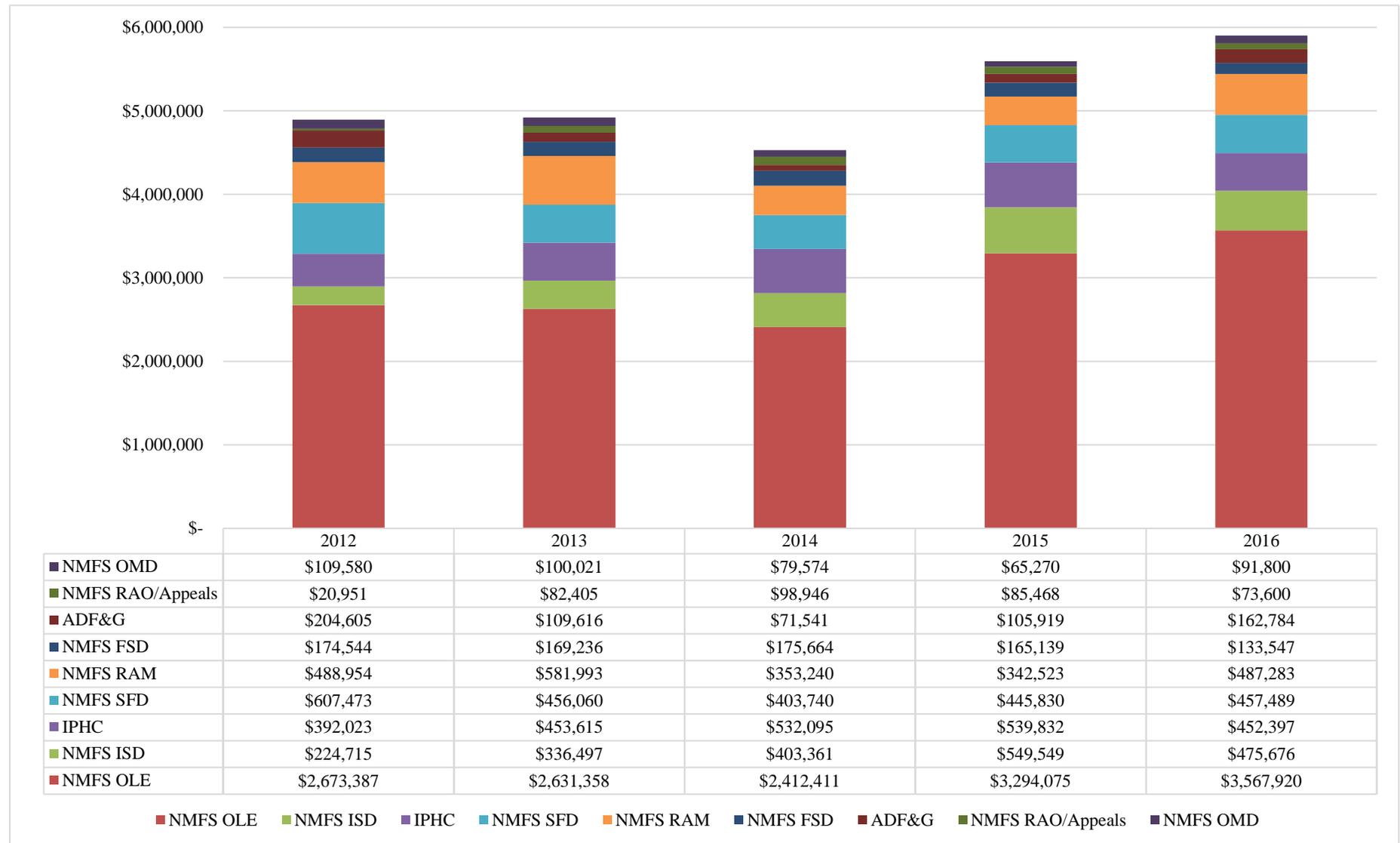
costs due to increased personnel costs and NMFS OLE incurred higher costs due to increases in contracts and training costs for personnel. However, other costs, including overall personnel labor costs, decreased, therefore the change in overall direct program costs was limited. Table 1 details the FY 2016 direct program costs for the IFQ Program.

Figure 1 compares the total costs by cost type across all agencies and divisions. Figure 2 compares the direct program costs of each NMFS operating unit, IPHC, and ADF&G from FY 2012 through FY 2016.

**Figure 1. Direct Program Costs for FY 2014 through FY 2016.**



**Figure 1 IFQ Direct program costs for NMFS operating units, IPHC, and ADF&G during fiscal years 2012 through 2016.**



**Table 1 Fiscal year 2016 IFQ Direct program costs by cost recovery component for NMFS operating units, IPHC, and ADF&G.**

<b>Cost Recovery Component</b>	<b>NMFS OMD</b>	<b>NMFS RAM</b>	<b>NMFS SFD</b>	<b>NMFS ISD</b>	<b>NMFS RAO/Appeals</b>	<b>NMFS FSD</b>	<b>NMFS OLE</b>	<b>IPHC</b>	<b>ADFG</b>	<b>Total</b>
Personnel Costs <sup>a</sup>	\$52,400	\$238,700	\$226,800	\$300,100	\$64,800	\$133,547	\$2,277,380	\$377,252	\$56,874	\$3,827,853
Travel <sup>b</sup>	-	-	\$8,600	\$4,100	\$500	-	\$50,282	\$13,759	\$706	\$77,946
Transportation <sup>c</sup>	-	-	-	-	-	-	\$3,833	-	-	\$3,833
Printing	\$4,800	-	-	-	-	-	-	-	-	\$4,800
Contracts/Training	\$27,500	\$187,683	\$187,289	\$122,976	-	-	\$813,129	\$56,257	\$5,196	\$1,400,031
Supplies	\$2,700	\$20,600	-	\$15,100	-	-	\$23,604	\$5,130	\$8	\$67,143
Equipment	\$200	-	-	-	-	-	\$37,738	-	-	\$37,938
Rent/Utilities <sup>d</sup>	\$4,200	\$40,300	\$34,800	\$33,400	\$8,300	-	\$361,945	-	-	\$482,945
Other	-	-	-	-	-	-	\$9	-	-	\$9
<b>Total</b>	<b>\$91,800</b>	<b>\$487,283</b>	<b>\$457,489</b>	<b>\$475,676</b>	<b>\$73,600</b>	<b>\$133,547</b>	<b>\$3,567,920</b>	<b>\$452,397</b>	<b>\$62,784</b>	<b>\$5,902,497</b>

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

<sup>b</sup> Travel includes per diem payments. IPHC uses a scalar to determine costs so IPHC travel expenses reflect costs derived by a separate cost formula.

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

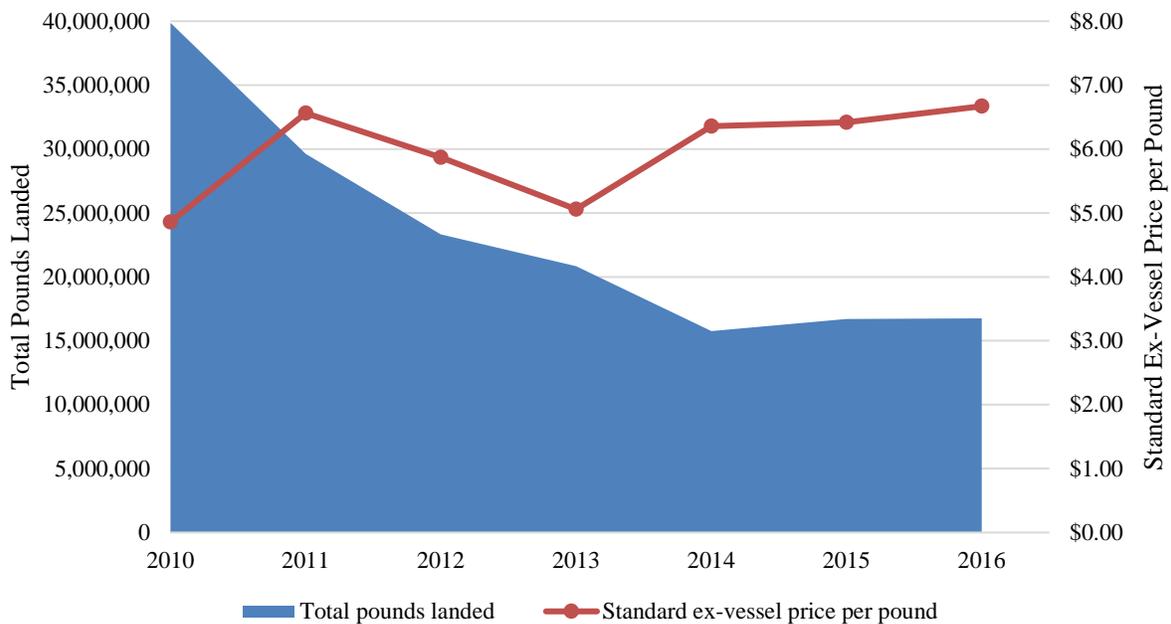
<sup>d</sup> Rent/Utilities includes costs of space and utilities and shared common space and services.

## Total Fishery Value

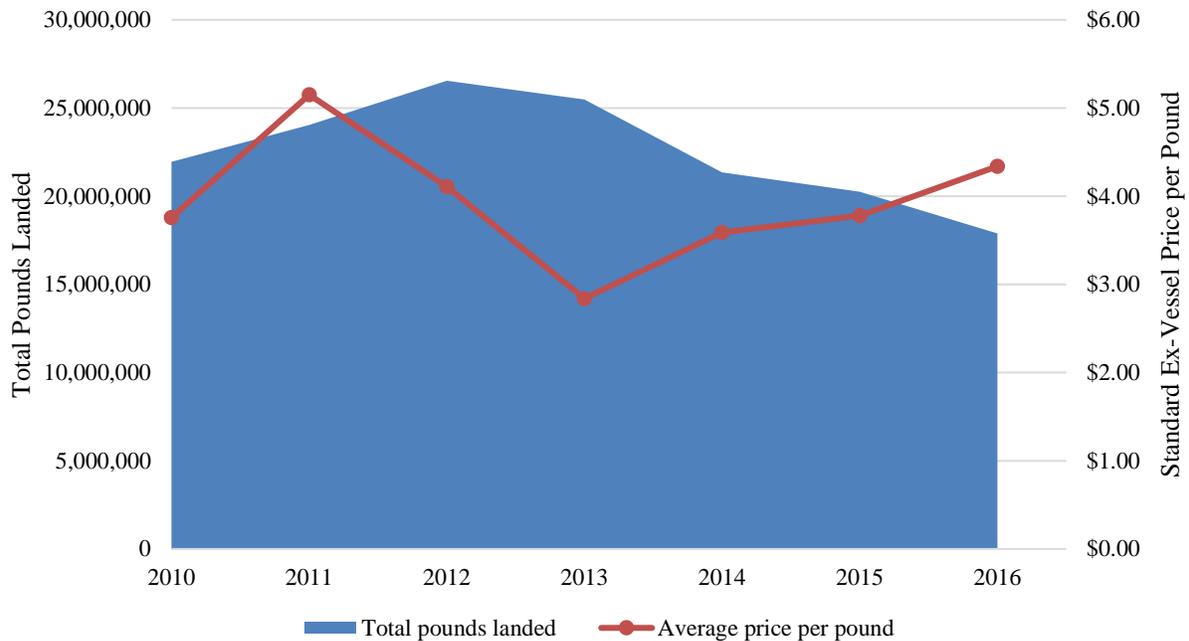
The value of halibut and sablefish harvests under the IFQ Program also increased by 3 percent from 2015 to 2016. This increase in total fishery value offset some of the increase in direct program costs, which limited the change in the fee percentage between 2015 and 2016.

Figures 3 and 4 show the changes in the total pounds landed and the standard ex-vessel price, as summarized across all months and ports, for both IFQ halibut and sablefish. As Figure 3 shows, the landed pounds of halibut under the IFQ program have decreased from 2010 to 2016, however, the standard ex-vessel price has been higher in the last three years than the three years preceding that, which also provides some counterbalance to the decrease in pounds landed. Table 2 shows the total fishery value of the IFQ Program, the direct program costs, and the fee percentage from 2000 to 2016.

**Figure 3 Total pounds landed of IFQ halibut and standard ex-vessel price per pound from 2010 to 2016.**



**Figure 4 Total pounds landed of IFQ sablefish and standard ex-vessel price per pound from 2010 to 2016.**



**Table 2 IFQ Program cost recovery fee percentage 2000 through 2016.**

Year	Direct Program Costs	Fishery Value	Fee Percentage
2000	\$3,474,111	\$195,882,332	1.80%
2001	\$3,430,357	\$167,368,176	2.00%
2002	\$3,513,827	\$180,276,723	2.00%
2003	\$3,407,118	\$236,536,464	1.40%
2004	\$3,326,607	\$235,431,066	1.30%
2005	\$3,743,630	\$235,865,140	1.60%
2006	\$2,789,047	\$268,403,752	1.00%
2007	\$2,739,602	\$234,866,119	1.20%
2008	\$3,468,590	\$244,854,438	1.40%
2009	\$4,302,026	\$209,893,255	1.60%
2010	\$5,203,411	\$276,175,760	1.40%
2011	\$5,065,748	\$318,077,388	1.60%
2012	\$4,896,232	\$246,067,580	2.10%
2013	\$4,920,803	\$177,746,256	2.80%
2014	\$4,530,572	\$176,983,090	2.60%
2015	\$5,593,603	\$183,896,787	3.04%*
2016	\$5,902,497	\$189,455,394	3.12%*

\* The fee liability percentage cannot exceed 3 percent.