

Community Development Quota Program
Cost recovery program meeting—May 18, 2006
Summary and Discussion

Meeting Summary

The National Marine Fisheries Service (NMFS), Alaska Region held a public meeting on May 18, 2006, to present and discuss preliminary information about an analysis being prepared for a proposed Community Development Quota (CDQ) cost recovery program. The meeting objectives were: to present preliminary information developed to prepare the analysis; to seek input on alternatives, components, and options; and to solicit suggestions about additional issues to address in the analysis. The meeting agenda and accompanying material are available at <http://www.fakr.noaa.gov/cdq/fees/051806agendahandouts.pdf>. A list of attendees is included at end of this summary.

NMFS staff presented information about general aspects of cost recovery programs and specific aspects of a CDQ cost recovery program. Cost recovery programs are intended to, via fees assessed against beneficiaries of limited access programs, recoup costs borne by the government for the management and enforcement costs associated with such programs. The primary discussion topics included:

- Fee collection provisions in the Magnuson-Stevens Act
- Existing halibut and sablefish Individual Fishing Quota (IFQ) and Crab Rationalization cost recovery programs
- Required elements of a CDQ cost recovery program
- Proposed alternatives, components, and options for such a program
- Estimated ex-vessel value of the CDQ fisheries
- Who could be responsible for paying the annual fee, and how it could be divided among payees
- Estimated 2005 Federal and State of Alaska (State) management and enforcement costs
- Deductible costs associated with observer and reporting requirements

Questions, Comments, and Responses

What about incorporating halibut CDQ into the existing halibut and sablefish IFQ cost recovery program, rather than into a separate CDQ cost recovery program that encompasses all three distinctly managed CDQ species categories (halibut, crab, and groundfish)?

The preliminary alternative that addresses which species categories to include in a CDQ cost recovery program did not include this option because there is not a corresponding halibut CDQ fee element in the halibut and sablefish IFQ cost recovery program. The Crab Rationalization cost recovery program already assesses a crab CDQ fee, which is why the option only to include groundfish and halibut in a CDQ cost recovery program was presented. We will consider including an additional option to incorporate the halibut CDQ cost recovery element into the halibut and sablefish IFQ cost recovery program.

What is the role of the CDQ panel, as proposed by pending Congressional legislation, in a CDQ cost recovery program?

The proposed legislation (Section 416 of the Coast Guard and Maritime Transportation Act of 2006) includes language that would amend the CDQ provisions in Section 305(i) of the Magnuson-Stevens Act. Such changes could alter the administrative aspects of the CDQ Program, among other things, including the oversight roles of NMFS and the State. The draft legislation also includes a provision to create an “administrative panel” to administer some aspects of the CDQ Program. Congress has not yet approved this legislation. NMFS has not completed a legal assessment of the effects of this proposed legislation, including an assessment of the role of a CDQ administrative panel. Should this legislation become law during the course of developing a CDQ cost recovery program, we will incorporate relevant changes into the CDQ cost recovery analysis.

Could the State’s CDQ fee be considered a deductible cost for a CDQ group?

The Magnuson-Stevens Act requires that the observer and reporting costs incurred by CDQ Program participants that are in addition to observer and reporting costs incurred by other participants in BSAI fisheries be deducted from CDQ cost recovery fees. CDQ observer and reporting requirements fall into three categories, including observer coverage, catch reporting, and economic development reporting. The State’s administrative fees do not appear to be included in any of these categories, and probably are not deductible costs. The analysis will discuss this topic, as well as other aspects of the State’s cost recovery program.

The analysis should thoroughly examine all aspects associated with deductible costs, including costs associated with: the Alaska Department of Fish and Game’s crab CDQ management costs; comprehensive information about observer coverage costs, such as transportation costs; and other costs.

The analysis will include as much information about deductible costs as possible. We will expand upon the preliminary information presented at the meeting.

The analysis should examine the potential use of credits, rather than deductions, to accommodate the requirement that applicable CDQ fees be reduced by the amount paid for the additional CDQ observer and reporting costs required of CDQ fishery participants.

Deductions and credits are often associated with income tax programs. Tax deductions reduce taxable income. A tax credit entitles taxpayers to subtract the amount of the credit from taxes owed. It may be more appropriate to consider allowable reductions to cost recovery fee assessments as credits rather than deductions. However, the analysis likely will continue to use the term deductible costs, per applicable statutory language.

If it turns out that allowable deductible costs could be equal to or almost equal to management costs, and there is no net gain to the government, then why pursue a CDQ cost recovery program at all? The implementation of a CDQ cost recovery program will increase management costs for both the government and CDQ groups.

We will quantify and describe how deductible costs could affect the amount of fees that potentially may be collected. This includes examining a range of deductible costs and their

affects on the net, collectible CDQ fees. Changes to allowable deductible costs in the future (for example, if the CDQ fisheries are subject to decreased observer coverage requirements) could mean that the net fees collected by the government increase to levels that do capture some, or all of, annual management costs.

The analysis should include an estimate of the additional Federal costs of administering a CDQ cost recovery program, as well as the additional management costs that CDQ groups could incur to comply with CDQ cost recovery program requirements.

We intend to include both an estimate and a discussion of such costs in the analysis.

NMFS should update its estimates of the costs associated with economic development reporting requirements, such as community development plans.

Preliminary estimates of such costs were based on outdated information, and include cost estimates prepared for another purpose. We intend to update the estimates of such costs during the development of the analysis.

The options associated with Alternative 2, in which CDQ groups would pay the CDQ fee liability, should be modified. Option 2 (fee liability based on percentage allocations) should be expanded to include a broader range of species than just pollock. Option 4 (fee liability based on ex-vessel value) should be simplified to include fewer species.

We will consider examining the effects of additional combinations of species in conjunction with the different options being developed to demonstrate how the total annual fee liability might be apportioned among payees.

The analysis should include a discussion about how a CDQ cost recovery program could validate the status of CDQ groups as non-profit organizations.

NMFS is proposing alternatives that will examine the economic effects of assessing the CDQ cost recovery fee on different parties, such as CDQ groups, fishing vessels, and/or seafood processors. At present, we are not certain how or why a CDQ fee would affect the tax-exempt status of CDQ groups. We will contact the person asking this question to seek additional clarification and include a discussion of the issue in the analysis, if relevant.

Attendees

NMFS: Sally Bibb, Bubba Cook, Obren Davis, Todd Loomis, Steve Whitney

NPFMC: Nicole Kimball

APICDA: Joe Kyle

BBEDC: Bryce Edgmon and Paul Peyton

CBSFA: Steve Manley and Patience Mercurief

CVRF: Larry Warner

NSEDC: Jon Zuck

YDFDA/Kwikpak: Eric Olson

State of Alaska: Greg Cashen