**Western Alaska Community Development Quota Program**
**Cost Recovery Fee Program**

**Public Meeting - May 18, 2006**
**Agenda**

1. Introduction and objectives for the meeting.

The objectives for this meeting are to present information developed to prepare the analysis; to seek input on alternatives, components, and options; and to hear suggestions about additional issues that should be addressed in the analysis.

Have analysts identified:

- all of the elements of the CDQ cost recovery fee program that are required by the MSA?
- the primary discretionary elements of the CDQ cost recovery fee program in the alternatives and components?
- appropriate options under each component?

2. Overview of other Alaska Region cost recovery programs (pages 1-9)
    - Halibut and sablefish IFQ cost recovery program
    - Crab rationalization cost recovery program

3. Elements of the CDQ Cost Recovery Program

    i. Required elements of the CDQ cost recovery program (pg 10)

    ii. Overview of proposed alternatives, components, and options (discretionary elements of the cost recovery program) (pg 11-13)

    iii. Ex-vessel value of the CDQ fisheries (pg 14)

    iv. Options for analysis: Who will pay and how will the fee liability be divided among payees? (pgs 15-17)

    v. CDQ Program management and enforcement costs in FY 2005 (pg 18)

    vi. Estimated deductible costs (pgs 19-23)

    vii. Plan for analysis and implementation schedule (pg 24)

    viii. Fee collection cycle (pg 25)

4. Questions and discussion

**(2) Overview of other Alaska Region cost recovery programs**

# Magnuson-Stevens Act
# 16 U.S.C. 1851 et seq.

# Applicable Fee Sections

**Section 303(d) Individual Fishing Quotas**

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(4) (A) A Council may submit, and the Secretary may approve and implement, a program which reserves up to 25 percent of any fees collected from a fishery under section 304(d)(2) to be used, pursuant to section 1104A(a)(7) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1274(a)(7)), to issue obligations that aid in financing the--

(i) purchase of individual fishing quotas in that fishery by fishermen who fish from small vessels; and

(ii) first-time purchase of individual fishing quotas in that fishery by entry level fishermen.

(B) A Council making a submission under subparagraph (A) shall recommend criteria, consistent with the provisions of this Act, that a fisherman must meet to qualify for guarantees under clauses (i) and (ii) of subparagraph (A) and the portion of funds to be allocated for guarantees under each clause.

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**Section 304(d) Establishment of Fees**

(1) * * *

(2)(A) Notwithstanding paragraph (1), the Secretary is authorized and **shall collect a fee** to recover the actual costs **directly related to the management and enforcement** of any--

(i) individual fishing quota program; and

(ii) community development quota program that allocates a percentage of the total allowable catch of a fishery to such program.

(B) Such fee **shall not exceed 3 percent** of the **ex-vessel value** of fish harvested under any such program, and shall be collected at either the time of the landing, filing of a landing report, or sale of such fish during a fishing season or in the last quarter of the calendar year in which the fish is harvested.

(C) (i) Fees collected under this paragraph shall be in addition to any other fees charged under this Act and shall be **deposited in the Limited Access System Administration Fund** established under section 305(h)(5)(B), except that the portion of any such fees reserved under section 303(d)(4)(A) shall be deposited in the Treasury and available, subject to annual appropriations, to cover the costs of new direct loan obligations and new loan guarantee commitments as required by section 504(b)(1) of the Federal Credit Reform Act (2 U.S.C. 661c(b)(1)).

(ii) Upon application by a State, the Secretary shall transfer to such State up to 33 percent of any fee collected pursuant to subparagraph (A) under a community development quota program and deposited in the Limited Access System Administration Fund in order to reimburse such State for actual costs directly incurred in the management and enforcement of such program.

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**Section 305(i)(3) Alaska And Western Pacific Community Development Programs**

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(3) The Secretary shall **deduct** from any fees collected from a **community development quota** program under section 304(d)(2) the **costs** incurred by participants in the program for observer and reporting requirements which are **in addition to observer and reporting requirements of other participants** in the fishery in which the allocation to such program has been made.

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# Crab Rationalization
# 16 U.S.C. 1862 et seq.

## Applicable Fee Sections

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**Section 313(j) Bering Sea and Aleutian Islands crab rationalization.**

(1) By not later than January 1, 2005, **the Secretary shall approve and hereafter implement by regulation the Voluntary Three-Pie Cooperative Program for crab fisheries of the Bering Sea and Aleutian Islands approved by the North Pacific Fishery Management Council between June 2002 and April 2003, and all trailing amendments including those reported to Congress on May 6, 2003.** This section shall not preclude the Secretary from approving by January 1, 2005, and implementing any subsequent program amendments approved by the Council.

(2) Notwithstanding any other provision of this Act, in carrying out paragraph (1) the Secretary shall approve all parts of the Program referred to in such paragraph. Further, no part of such Program may be implemented if, as approved by the North Pacific Fishery Management Council, individual fishing quotas, processing quotas, community development quota allocation, voluntary cooperatives, binding arbitration, regional landing and processing requirements, community protections, economic data collection, or the loan program for crab fishing vessel captains and crew members, is invalidated subject to a judicial determination not subject to judicial appeal. If the Secretary determines that a processor has leveraged its Individual Processor Quota shares to acquire a harvesters open-delivery "B shares", the processor's Individual Processor Quota shares shall be forfeited.

(3) Subsequent to implementation pursuant to paragraph (1), the Council may submit and the Secretary may implement changes to or repeal of conservation and management measures, including measures authorized in this section, for crab fisheries of the Bering Sea and Aleutian Islands in accordance with applicable law, including this Act as amended by this subsection, to achieve on a continuing basis the purposes identified by the Council.

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## Council Consolidated Motion: April 2003

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1.8.1.8 Loan program for crab QS
A low-interest rate loan program consistent with MSA provisions, for skipper and crew purchases of QS, shall be established for QS purchases by captains and crew members using 25% of the Crab IFQ fee program funds collected. These funds can be used to purchase A, B, or C shares.

Loan funds shall be accessible by active participants only.

Any A or B shares purchased under the loan program shall be subject to any use and leasing restrictions applicable to C shares (during the period of the loan).

National Marine Fisheries Service (NOAA Fisheries) is directed to explore options for obtaining seed money for the program in the amount of $250,000 to be available at commencement of the program to leverage additional loan funds.

1.8.1.11 Cooperatives
C share holders shall be eligible to join cooperatives.

C shares shall be included in the IFQ fee program.

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Option 5. A proportional share of fees charged to the harvesting sectors and processing sectors for management and enforcement of the IFQ/IPQ program shall be forwarded to the State of Alaska for use in management and observer programs for BSAI crab fisheries.

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**Clarifications and Expressions of Council Intent**

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11. Cost recovery definition - The Council clarified that **cost recovery funds would be collected in accordance with the current cost recovery program**, which allows for the collection of actual costs up to **3 percent of ex vessel gross revenues**. The Council provided that costs would be paid in **equal shares by the harvesting and processing sectors** (on all landings including landings of crab harvested with Class B IFQs). Catcher/processors would pay the entire 3 percent since catcher/processors participate in both sectors. A loan program for share purchases would be established with 25 percent of the fees collected. The motion authorized the **collection of 133 percent** of actual costs of management under the new program, which would provide for **100 percent of management costs after allocation of 25 percent of the cost recovery to the loan program**.

# Halibut/Sablefish IFQ and Crab Rationalization
# Fee Program Primer

### General

NMFS, Alaska Region, administers the Halibut and Sablefish IFQ and the Crab Rationalization Programs in the North Pacific. These programs are limited access systems authorized by section 303(b) of the Magnuson-Stevens Act. The Magnuson-Stevens Act defines IFQ as a Federal permit under a limited access system to harvest a quantity of fish, expressed by a unit or units representing a percentage of the total allowable catch of a fishery that may be received or held for exclusive use by a person. The Halibut and Sablefish Program and the Crab Rationalization Program meet this statutory definition of IFQ and are therefore subject to cost recovery fees under section 304(d)(2) of the Magnuson-Stevens Act.

In 1996, the Magnuson-Stevens Act was amended (by Public Law 104-297) to require, among other things, that the Secretary of Commerce "collect a fee to recover the actual costs directly related to the management and enforcement of any . . . individual fishing quota program" (section 304(d)(2)(A)). The upper limits on these fees, fee collection times, and fee deposit locations are specified by section 304(d)(2) of the Magnuson-Stevens Act. Section 303(d)(4) of the Magnuson-Stevens Act allows NMFS to reserve up to 25 percent of the fees collected for use in an IFQ loan program to aid in financing the purchase of IFQ or quota share (QS) by entry-level and small-vessel fishermen.

The Magnuson-Stevens Act specifies the following with respect to the imposition of cost recovery fees:

1. Fees must recover actual costs directly related to management and enforcement of the IFQ Program;
2. Fees must not exceed 3 percent of the ex-vessel value of fish harvested under any such program;
3. Fees are in addition to any other fees charged under the Magnuson-Stevens Act;
4. With the exception of money reserved for the Halibut and Sablefish IFQ and the Crab Rationalization loan program, fees must be deposited in the Limited Access System Administrative Fund (LASAF) in the U.S. Treasury; and
5. Fees must be collected during one of the following times: when landing; when filing a landing report; when selling the fish during a fishing season; or in the last quarter of the calendar year in which the fish were harvested.

The Halibut and Sablefish IFQ Program and the Crab Rationalization Program are the only IFQ fisheries off Alaska currently subject to the cost recovery requirements of the Magnuson-Stevens Act. Fishing under the Halibut and Sablefish IFQ Program began in March 1995 through regulations set forth at 50 CFR part 679. Fishing under the Crab Rationalization Program began in August 2005 through regulations set forth at 50 CFR part 680.

### Halibut and Sablefish IFQ Cost Recovery

On March 20, 2000, NMFS published regulations (65 FR 14919) implementing the IFQ Cost Recovery Program for IFQ landings of halibut and sablefish (set forth at 50 CFR 679.45). Under the regulations, an IFQ permit holder incurs a cost recovery fee liability for every pound of IFQ halibut and IFQ sablefish that is landed under his or her IFQ permit(s). The IFQ permit holder is responsible for self-collecting the fee liability for all IFQ halibut and IFQ sablefish landings on his or her permit(s). The IFQ permit holder also is responsible for submitting a fee liability payment to NMFS on or before the due date of January 31, following the year in which the IFQ landings were made. For each permit, the dollar amount of the fee due is determined by multiplying the annual IFQ fee percentage (3 percent or less) by the ex-vessel value of each IFQ landing. If the permit holder has more than one permit, the total amounts of each permit are added.

Section 304(d)(2)(B) of the Magnuson-Stevens Act sets a maximum fee of 3 percent of the ex-vessel value of fish harvested under an IFQ program. Current regulations allow NMFS to reduce the fee percentage if actual management and enforcement costs are recoverable through a lesser percentage. NMFS will not know the actual annual costs of IFQ-related management and enforcement until after the end of each Federal fiscal year (September 30). If the management and enforcement costs total less than the 3 percent fee, NMFS will reduce the fee percentage for the new Federal fiscal year. Fishermen will not know at the time they sell their IFQ fish exactly what fee percentage will be applied to their IFQ landings made from February (season opening) through September (Federal fiscal year-end). Therefore, NMFS encourages IFQ permit holders to set aside the full 3 percent throughout the fishing year so a lump sum payment may be made by January 31 of the following calendar year. Early payments are allowed but do not relieve a permit holder of associated reporting requirements.

**Crab Rationalization Cost Recovery**

Section 313(j) of the Magnuson-Stevens Act provides supplementary authority to section 304(d)(2)(A) and additional detail for cost recovery provisions specific to the Crab Rationalization Program. As a quota program, the Crab Rationalization Program must follow the statutory provisions set forth by section 304(d) and section 313(j) of the Magnuson-Stevens Act.

Section 313(j) requires the Secretary to approve a cost recovery program for the Crab Rationalization Program, conducted in accordance with the existing Halibut and Sablefish IFQ cost recovery program. Similar to the Halibut and Sablefish IFQ cost recovery program, the Crab Rationalization cost recovery program allows for the collection of actual management and enforcement costs up to 3 percent of ex-vessel gross revenues and a loan program using 25 percent of the fees collected. Unlike the Halibut and Sablefish IFQ program, the Crab Rationalization Program also required fees to apply to all allocation holders, including Community Development Quota and Adak Community Quota.

Section 313(j) includes specific cost recovery requirements to accommodate the crab processing industry and to address problems experienced under the Halibut and Sablefish IFQ cost recovery program. This section provides NMFS the authority to collect 133 percent of the actual costs of management and enforcement. By collecting 133 percent, 25 percent of that amount can be set aside for the IFQ loan program and the remaining 75 percent more fully reimburses the management and enforcement costs of the program. Additionally, section 313(j) requires cost recovery fees to be paid in equal shares by the harvesting and processing sectors. Catcher/Processors, a combination of both sectors, pay the full fee percentage.

NMFS developed the Crab Rationalization cost recovery program to conform with statutory requirements and to partially compensate the agency for the unique added costs of management and enforcement of the Crab Rationalization Program. Key provisions of the Crab Rationalization cost recovery program include: (1) a new definition and application of "fee liability"; (2) the establishment of a Registered Crab Receiver (RCR) permit system to streamline management and reporting; (3) the establishment of a "crab fishing year" for biological and administrative purposes; and (4) a new administrative process that requires the collection and submission of fees by RCRs rather than requiring separate billings to each person that receives a crab allocation (crab allocation holder). The crab allocations include IFQ, Crew IFQ, Individual Processing Quota (IPQ), Community Development Quota (CDQ), and the Adak community allocation.

In the crab rationalization fishery, a crab allocation holder generally incurs a cost recovery fee liability for every pound of crab landed. The RCR permit holder must collect any fee liability of the crab allocation holder landing crab. Additionally, the RCR permit holder must self-collect their own fee liability for all crab delivered to the RCR. The RCR permit holder is responsible for submitting this payment to NMFS on or before the due date of July 31, following the crab fishing year in which payment for the crab is made. The dollar amount of the fee due is determined by multiplying the fee percentage (not to exceed 3 percent) by the ex-vessel value of crab debited from the allocation. Specific details on the Crab Rationalization cost recovery program may be found in the implementing regulations for the Crab Rationalization Program set forth at 50 CFR 680.44, and published March 2, 2005, at 70 FR 10174.

Comparison of NMFS, Alaska Region cost recovery programs

| | IFQ halibut and sablefish | Crab rationalization | CDQ Program |
|---|---|---|---|
| **Purpose** | Recover the actual costs directly related to the management and enforcement of program. | Same. | Same. |
| **Enabling authority and directive** | Magnuson-Stevens Act Section 304(d)(2). | Magnuson-Stevens Act Sections 304(d)(2) and 313(j). | Magnuson-Stevens Act Section 304(d)(2) and 305(i)(3). |
| **Use of receipts** | 1. Management and enforcement costs (Federal and IPHC).<br>2. IFQ halibut and sablefish loan program (up to 25% of receipts) | 1. Federal and State management and enforcement costs (may collect up to 133% of such costs).<br>2. IFQ crab loan program. | Federal management and enforcement costs.<br>State management and enforcement costs (optional).<br>(State currently collects $306,200 for annual administrative costs through its own program) |
| **Limitations on amount of collected costs that can be reimbursed to other parties** | None. | None. | Upon application, State shall receive up to 33% of fees collected under Federal program.<br>[see 304(d)(2)(C)(ii)] |
| **Species against which fee assessed, or those included in cost recovery program** | IFQ halibut and IFQ sablefish. | All Crab Rationalization (CR) crab species.<br>Norton Sound red king crab not included. | Possible options:<br>1. Groundfish, halibut, and crab (separate crab from CR Program).<br>2. Groundfish and halibut. |
| **Responsible party for fee liability** | IFQ permit holder. | Allocation holder at time of landing. Includes holders of crab IFQ, IPQ, CDQ, and Adak community allocations. | Possible options:<br>1. CDQ groups – primary beneficiary.<br>2. CDQ harvesters and/or processors. |
| **Party responsible for payment** | Person documented on the IFQ permit at time of landing. | Registered Crab Receivers: deducts harvester fee (1.5%) at each landing, and submit aggregate fees annually.<br>RCRs: self collect and submit their portion of fee (1.5%) annually.<br>Catcher/processors: self-collect and remit 3% fee. | Probably the same as selected for responsible party (see above). |
| **Number of entities paying fee** | Permit holders billed<br>2003: 2,472<br>2004: 2,430<br>2005: 2,382 | Approximately 58 Registered Crab Receiver permits have been issued for the 2005-2006 crab fishing year. | 2005 participation in CDQ fisheries:<br>1. Six CDQ groups.<br>2. Vessels: groundfish--40; halibut--211; crab--21<br>3. Processors: groundfish--4; registered buyers--26; crab RCRs--9. |

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| **Maximum fee percentage** | 3 percent of ex-vessel value. | 3 percent of ex-vessel value. | 3 percent of ex-vessel value. |
| **Actual fee percentage calculation and adjustment mechanism** | Fee percentage calculated annually in fourth quarter based on: catch to which fee will apply, projected value of catch, direct management costs, funds available in LASAF, and nonpayment of fee liabilities.<br>Actual percentages:<br>2002: 2%<br>2003: 1.4%<br>2004: 1.3% | Fee percentage calculated annually (first quarter of crab calendar year) based on: catch against which fee will apply, projected value of catch, direct management costs, funds available in LASAF, and nonpayment of fee liabilities. | Fee percentage calculation method undetermined. |
| **Actual Program costs** | Based on Federal Fiscal Year as calculated by NMFS.<br>2002: \$3.5M<br>2003: \$3.4M<br>2004: \$3.3M | Projected FY06 costs are \$2.7M. | Estimated FY05 costs are \$1.4M. |
| **Fee percentage change notification** | Publish in Federal Register. | Publish in Federal Register. | Undetermined. |
| **Fee liability basis** | Landed IFQ pounds. | CR crab debited from a CR allocation in raw crab pounds. | Undetermined. |
| **Fee collection** | Permit holder self-collects and remits to NMFS. | Register crab receiver remits fee for both harvester and processor. Catcher/processors remit both portions of fee. | Undetermined. |
| **Disposition of collected fees** | Limited Access System Administrative Fund (LASAF). Fees deposited in IFQ halibut/sablefish account.<br>Up to 25% may be deposited separately in U.S. Treasury to support loan program. | LASAF: deposit in IFQ crab account. Up to 25% may be deposited separately in U.S. Treasury to support loan program. | LASAF. Fees would be deposited in CDQ Program account(s).<br>No deposits for a loan program. |
| **Fishing year** | Applicable IFQ season (March 5 to November 15 in 2006). | Crab calendar year (July 1 to June 30). | Undetermined. May depend on which species included in CDQ cost recovery program. |
| **Billing cycle** | Permit holders 'self-collect' during year.<br>Estimated fee liability issued in December.<br>Fees due January 31 of following year. | Processors collect harvester fee at time of landing, as well as self-collecting own portion of fee, throughout crab fishing year.<br>Payment due July 31 of subsequent crab fishing year. | Undetermined |

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| **Ex-vessel value determination** | NMFS calculates standard ex-vessel value based on IFQ buyer reports (which are required by regulation). Standard prices published in Federal Register in last quarter of calendar year. | Shoreside ex-vessel value: based on price paid at time of purchase.<br>CP ex-vessel value: based on CP standard prices calculated by NMFS. | Undetermined. Possible options include:<br>1. NMFS would determine value based on existing methodology, such as done for Economic Status report.<br>2. Require CDQ groups and/or processors to report actual ex-vessel value. |
| **Ex-vessel value** | 2002: $180M<br>2003: $237M<br>2004: $235M | $127M<br>(ADF&G estimate for 2005) | Estimated CDQ ex-vessel value (all species) for 2005 is $69M. |
| **Alternative ex-vessel value determination** | IFQ permit holder may use actual ex-vessel value, subject to accurate documentation. | None. | Undetermined. |
| **Deductions for fee liability** | None. | None. | MSA Section 305(i)(3) requires NMFS to deduct from any fees collected the costs incurred for additional observer and reporting requirements. |
| **Nonpayment or underpayment of fee liability** | Suspend quota transferability and/or invalidate annual fishing permit. | Suspend quota transferability or withhold permit issuance. | Undetermined. |
| **Overpayment** | Reimburse or credit towards future liability. | Reimburse or credit towards future liability. | Undetermined. |
| **Appeals and request for reconsideration** | Permit holder afforded either option should they be issued IAD. | Permit holder afforded either option should they be issued IAD. | Undetermined. |
| **NMFS prepares annual management report?** | Yes, per regulation. | Yes, per regulation. | Undetermined, but probably. |

## Western Alaska Community Development Quota Program
## Cost Recovery Fee Program

**(3)(i) Required elements of the CDQ cost recovery fee program**

Following are the elements of the CDQ cost recovery fee program that NMFS initially interprets from the MSA as required, or non-discretionary:

1. NMFS is required to collect a fee to recover the actual costs of management and enforcement of the CDQ Program.

2. The cost recovery program must provide an opportunity for the State of Alaska to recover some portion of its actual costs associated with management and enforcement of the CDQ Program through the Federal cost recovery program. The MSA uses the term "Upon application by a State….," which we interpret as requiring the cost recovery fee program to provide such an opportunity to the State, but not requiring the State to participate in the Federal program. The MSA limits the amount of money that can be transferred to the State from the Federal program to "33% of any fee collected…." This means that, regardless of the State's actual management and enforcement costs and regardless of the percentage of total management and enforcement costs incurred by the State, the State may receive from the Federal government no more than 33 percent of the total fees collected.

3. The total amount of the fee collected to recover the actual management and enforcement costs of the Federal and State governments combined may not exceed 3% of the ex-vessel value of fish (groundfish, halibut, and crab) harvested under the CDQ Program.

4. The costs incurred by participants in the CDQ Program for observer and reporting requirements which are in addition to observer and reporting requirements of other participants in the fishery in which the allocation to such program has been made, may be deducted from the fee owed. This is a feature of the CDQ cost recovery fee program that does not apply to the other fee collection programs.

5. The MSA requires that the fees be collected "at either the time of the landing, filing of a landing report, or sale of such fish during a fishing season or in the last quarter of the calendar year in which the fish is harvested." In the halibut and sablefish IFQ Program, the term "collect" is defined so that fees can be collected during the calendar year by those owing fees, but the fee can be submitted to NMFS early in the next calendar year. This same definition of terms may be necessary for the CDQ cost recovery program to allow for the collection of all necessary information about harvests, value, and deductible costs after the end of each calendar year.

6. Fees submitted to NMFS will be deposited in the Limited Access System Administration Fund established under section 305(h)(5)(B), as are the fees from other cost recovery programs.

7. The requirements in section 304(C)(i) about the portion of fees reserved under 303(d)(4)(A) for IFQ loan obligations and loan guarantees do not apply to the CDQ cost recovery fee program. The section applies to IFQ Programs. In addition, allocations made under the Western Alaska CDQ Program cannot, at this time, be purchased by individual fishermen or any other persons or corporations, and no loan program to purchase such CDQ allocations exist.

**(3)(ii) Overview of proposed alternatives, components, and options for the CDQ cost recovery fee program**

These proposed alternatives, components, and options identify the elements of the CDQ cost recovery fee program that are necessary to implement the program, but for which requirements are not mandated by the MSA. The components and options have been combined to create alternatives that will be analyzed for the draft Regulatory Impact Review/Initial Regulatory Flexibility Analysis (RIR/IRFA).

NMFS seeks input to identify any additional alternatives, components, or options that should be included in the CDQ cost recovery fee program analysis.

**Alternatives will be structured around the question of who will pay the CDQ cost recovery fee:**

*Alternative 1:* Status quo – cost recovery fee assessments are made on crab CDQ harvests under the crab rationalization program. Fees are shared equally between vessel owners and processors. No CDQ cost recovery fees are assessed on groundfish, halibut, or Norton Sound red king crab.

*Alternative 2:* The CDQ groups would pay the cost recovery fees. The CDQ groups are the recipients of the CDQ allocations and analogous to permit holders in the other IFQ cost recovery fee programs.

*Alternative 3:* Owners or operators of vessels harvesting CDQ allocations on behalf of the CDQ groups or processors processing the CDQ allocations will pay the cost recovery fees. This alternative will be structured to model the process followed in the halibut and sablefish IFQ cost recovery program and/or the crab rationalization cost recovery program.

The remaining components and options will be analyzed under these three alternatives with modifications necessary to be consistent with the overall approach of the alternative:

**Component 1: What CDQ species will be included in this CDQ cost recovery fee program?**

*Option 1:* Groundfish, halibut, and crab.

The fee on crab CDQ landings that was implemented as part of the crab rationalization cost recovery fee program would be repealed and any fee associated with the crab CDQ allocations would be collected through the CDQ cost recovery fee program.

*Option 2*: Groundfish and halibut.

The fee on crab CDQ landings that was implemented as part of the crab rationalization cost recovery fee program would remain in effect, although some revisions may be necessary. Recovery of the actual costs of management and enforcement of the crab CDQ allocations or crab CDQ fisheries would not be included in the CDQ cost recovery fee program.

**Component 2: What will be the basis of the fee liability for the entity required to pay the fee?**

Options under Alternative 2 – if the CDQ group pays the fee:

*Option 1*: Each CDQ groups pays an equal proportion of the fee liability.

*Option 2*: The total fee liability would be divided among the CDQ groups based on the percentage allocation of pollock.

*Option 3*: The total fee liability would be distributed among CDQ groups with a combination of a fixed fee and a variable fee.

*Option 4*: The total fee liability would be divided among the CDQ groups based on the ex-vessel value of the CDQ harvests (retained catch) by that group during the year in which the fee applies.

Options under Alternative 3 – if the vessels and/or processors participating in the CDQ Program pay the fee:

*Option 1*: The fee liability for each vessel participating in the CDQ fisheries would be based on the IFQ halibut and sablefish cost recovery model, with the total annual fee being apportioned among vessels based on the ex-vessel value of retained CDQ catch.

*Option 2*: The fee liability for each vessel or processor participating in the CDQ fisheries would be based on the IFQ crab cost recovery model, with the fee being split between harvesters and processors based on the ex-vessel value of retained CDQ catch.

**Component 3 – How will the requirement to allow deductible costs be incorporated into the program?**

*Option 1 (appropriate for Alternative 2)*: The CDQ groups would submit deductible cost claims to NMFS and, if approved, these costs would be subtracted from the fee before it is submitted by the CDQ group.

*Option 2 (appropriate for Alternative 3)*: We don't yet have a clear proposal for how deductible costs would work under this alternative. If vessels owners or processors submitted fees to NMFS, how would deductions for costs incurred by the CDQ groups be factored into this process?

Summary of proposed alternatives, components, and options for the CDQ cost recovery fee program.

| | ***Alternative 1 - status quo.*** | ***Alternative 2 - CDQ Groups Pay Fee*** | ***Alternative 3 - Vessels and Processors Pay Fee*** |
|---|---|---|---|
| ***Who pays the fee?*** | *Status quo*<br>Vessels and processors pay a fee on CDQ landings under the crab rationalization program.<br><br>No fees assessed yet on groundfish, halibut, or NS red king crab CDQ. | The CDQ cost recovery fee would be collected by an assessment on the CDQ groups. | The CDQ cost recovery fee would be collected by an assessment on vessel owners and/or processors participating in the CDQ fisheries. Generally follow the model of the either halibut/sablefish or crab rationalization cost recovery. |
| ***Component 1 What species will be included?*** | *Status quo*<br><br>Fee assessment on crab CDQ.<br><br>No fee assessment on groundfish, halibut, or NS red king crab CDQ.<br>. | Option 1: Integrate groundfish, halibut, and crab CDQ cost recovery into one CDQ cost recovery program.<br><br>Option 2: Leave crab with crab rationalization, create new CDQ cost recovery program for groundfish and halibut. | (SAME OPTIONS AS ALTERNATIVE 2)<br><br>Option 1: Integrate groundfish, halibut, and crab CDQ cost recovery into one program.<br><br>Option 2: Leave crab with crab rationalization, create new CDQ cost recovery program for groundfish and halibut. |
| ***Component 2 How will the fee liability be divided?*** | *Status quo*<br><br>Fee assessment on crab CDQ is divided evenly between harvesters of crab CDQ and the registered crab receivers (processors) based on retained or landed catch weight.<br><br>No fee assessment on groundfish, halibut, or NS red king crab CDQ. | (Before deductible costs) Each CDQ group's fee liability would be based on:<br>*Option 1*: equal proportion of the total fee liability.<br>*Option 2*: pollock percentage allocation.<br>*Option 3*: combination of a fixed and variable fee (State's model)<br>*Option 4*: Ex-vessel value of CDQ harvests (retained catch) that year. | (OPTIONS DIFFER FROM ALTERNATIVE 2)<br><br>*Option 1*: Halibut/sablefish IFQ model – apportioned among vessel operators based on ex-vessel value of retained catch.<br><br>*Option 2*: Crab IFQ model – apportioned equally between vessels and processors based on ex-vessel value. |
| ***Component 3 How will deductible costs be handled?*** | *Status quo*<br><br>Deductible costs for fees on crab CDQ landings are not included in the current crab rationalization cost recovery program. | CDQ groups will submit deductible cost claim to NMFS and, if approved, these costs will be subtracted from the fee assessment on the CDQ group. | We don't yet have a clear proposal for how deductible costs would work under this alternative. Vessels and processors could submit a deductible cost claim to NMFS for costs they incurred. *How would deductions for cost incurred by the CDQ groups be factored into this process?* |

## (3)(iii) Ex-vessel value of the CDQ fisheries

The Magnuson-Stevens Act requires that the fee collected to recover the actual costs of management and enforcement of the CDQ Program may not exceed *3% of the ex-vessel value of the fish harvested under the CDQ Program.* This limitation would require NMFS to annually estimate the ex-vessel value of the CDQ fisheries to establish the limit of the amount of the fee that can be collected for that year.

For purposes of estimating an overall ex-vessel value of CDQ catch, we estimated the ex-vessel value of the CDQ fisheries using available ex-vessel price information for comparable non-CDQ fisheries. The species included in the estimate are those species that make up the majority of the value of the CDQ Program. The estimate uses retained catch or landings data for 2005. Ex-vessel prices were obtained from various sources. For groundfish, we used the ex-vessel prices reported in the *Economic Status of the Groundfish Fisheries Off Alaska—2004*. The ex-vessel prices used to calculate the value for halibut and sablefish CDQ are based on ex-vessel prices calculated for the IFQ halibut and sablefish program fee collection program. Crab prices were obtained from the Department of Fish and Game 2005 catch and value reports.

The purpose of this estimate of total ex-vessel value is to establish an estimate for the maximum fee that could be assessed against the CDQ groups. The total estimated value of the 2005 CDQ fisheries is approximately $68.8 million. Pollock contributes about 51 percent, or $35.1 million to this amount. Crab contributes 18 percent to the total value, while Pacific cod and halibut comprise 12 percent and 9 percent, respectively. Based on the estimated total ex-vessel value, the maximum fee that could be collected to recover management and program costs is approximately $2 million.

Estimated ex-vessel value of the 2005 CDQ fisheries.

| Species | Retained or landed weight (lbs) | Estimated ex-vessel price | Estimated ex-vessel value |
|---|---|---|---|
| Groundfish[1] | | | |
| Pollock | 331,347,610 | $0.106 | $35,122,847 |
| Pacific cod: Fixed gear | 23,311,444 | $0.254 | $7,445,107 |
| Trawl | 2,245,755 | $0.219 | $491,820 |
| Atka mackerel | 9,433,266 | $0.115 | $1,084,826 |
| Sablefish[2]: Fixed gear | 1,210,545 | $2.08 | $2,517,934 |
| Trawl | 38,945 | $0.837 | $32,597 |
| Flatfish | 19,711,293 | Varies | $3,252,363 |
| Rockfish | 1,690,507 | Varies | $264,168 |
| Halibut[2] | 2,043,262 | $2.910 | $5,945,892 |
| Crab[3] | | | |
| Bristol Bay red king crab | 1,127,027 | $4.30 | $4,846,216 |
| Bering Sea snow crab | 3,718,400 | $1.80 | $6,693,120 |
| E. Aleutian Is. golden king crab | 300,000 | $2.45 | $735,000 |
| Bering Sea bairdi crab | 162,000 | $1.65 | $267,300 |
| Norton Sound red king crab | 30,060 | $3.18 | $95,591 |
| | | | |
| Total, all species | | | $68,794,781 |
| **3% of estimated ex-vessel value** | | | **$2,063,843** |

Notes:

1/ Groundfish (except fixed gear sablefish) 2004 ex-vessel prices, from Table 18 of the 2005 Economic Status report. Combined weight, ex-vessel price, and value for rockfish and flatfish species.

2/ Fixed gear sablefish and halibut prices are from the standard prices calculated for the IFQ cost recovery program (71 FR 3429; January 23, 2006). The prices used here are those calculated for the Bering Sea port group for 2005.

3/ Crab prices are bases on ADF&G 2005 shellfish catch and estimated ex-vessel prices. Accessed online at www.cf.adfg.ak.us. Golden king crab is the amount allocated to the CDQ Program for the 2005-2006 crab fishing year. *Bairdi* crab price based on Kodiak price, as Bering Sea average price not available.

**(3)(iv) Options for analysis: Who will pay and how will the fee liability be divided among payees?**

One element associated with developing a CDQ cost recovery program is determining the entities that will be responsible for paying the fee. We are developing alternatives based on:
1. Assessing annual fees against the CDQ groups.
2. Assessing annual fees against harvesters and/or processors participating in the CDQ fisheries.

Alternative 2 would assess fees on each CDQ group. CDQ groups are the direct recipients of annual quota, and each group directly benefits from its respective allocations. Collecting annual fees based on a fee assessment on each group would link the fee liability to primary quota recipients. This also would be relatively simple to administer, given the small number of groups.

We are developing different options for how an annual fee might be divided to determine each CDQ group's annual fee liability. These options include: dividing the annual fee equally among groups; dividing the fee based on pollock percentage allocations; using a fixed and variable fee model to apportion the annual fee (similar to the State's model); and, dividing the annual fee based on the ex-vessel value of CDQ harvests. These options are discussed below, and summarized in the subsequent table.

Option 1 offers the simplest approach to apportioning the fee liability. The annual management costs would be divided equally among the six CDQ groups. This approach does not take into consideration the different value attributable to each group's respective allocations.

Option 2 would distribute the total annual fee liability among CDQ groups based on the CDQ percentage allocation of pollock each group receives during the applicable cost recovery year. Pollock was chosen as the representative species since it is the most valuable species allocated to CDQ groups. Under this option, each CDQ group would pay proportionally more or less of the annual cost recovery fee based on their CDQ allocation percentage for pollock.

Option 3 would use both fixed and variable components to divide the annual cost recovery fee among CDQ groups. This method is based on the process used by the State of Alaska in its cost recovery program. One half of the fee is split equally among groups, and the other half of the fee is divided based on each group's relative value of selected species. The State of Alaska's cost recovery program is summarized at the end of this section.

Option 4 would use the proportional ex-vessel value of each CDQ group's annual retained catch to calculate the proportion of the annual CDQ fee that each group would pay. In theory, this offers a simple way to distribute the total annual fee among groups based on their respective annual catch and associated ex-vessel value. However, this option is complicated by annual quota transfers between groups. Quota pooling results in large amounts of annual CDQ catch being attributable to one group, although that group does not necessarily receive the total value associated with such catch.

Comparison of options to distribute annual fee among CDQ groups.

| Option: | APICDA | BBEDC | CBSFA | CVRF | NSEDC | YDFDA | Total |
|---|---|---|---|---|---|---|---|
| **1. Equal split** | $241,867 | $241,867 | $241,867 | $241,867 | $241,867 | $241,867 | $1,451,200 |
| **Percentage** | 17% | 17% | 17% | 17% | 17% | 17% | 100% |
| **2. Pollock percentage allocation** | $203,168 | $304,752 | $72,560 | $348,288 | $319,264 | $203,168 | $1,451,200 |
| **Percentage** | 14% | 21% | 5% | 24% | 22% | 14% | 100% |
| **3. Fixed and variable fee** | $226,020 | $271,845 | $166,099 | $282,846 | $272,411 | $231,978 | $1,451,200 |
| **Percentage** | 16% | 19% | 11% | 19% | 19% | 16% | 100% |
| **4. Ex-vessel value** | $212,981 | $584,015 | $93,662 | $122,388 | $268,905 | $169,248 | $1,451,200 |
| **Percentage** | 15% | 40% | 6% | 8% | 19% | 12% | 100% |

Alternative 3 would assess fees on the vessels, or on the vessels and processors, participating in the CDQ fisheries. We are developing two different options associated with this alternative. These are based on the IFQ halibut/sablefish and IFQ crab cost recovery programs, respectively.

Option 1 would apportion the total annual fee among vessels participating in the CDQ fisheries based on the ex-vessel value of their CDQ catch. Vessels would pay a fee for the CDQ species that they harvest and retain. Fee liabilities for each vessel could be calculated by applying standardized ex-vessel prices for each CDQ species to the applicable amount of retained species of groundfish, halibut, and crab. This option is complicated because the majority of the harvest of CDQ species, by weight, is caught and processed at-sea, which complicates the calculation of ex-vessel prices. However, as with other cost recovery programs, NMFS could derive at-sea ex-vessel prices from comparable shoreside price and landings data. Additionally, as with the halibut and sablefish cost recovery program, it might be possible for vessel operators to submit actual ex-vessel prices to establish their fee liability.

The halibut and sablefish IFQ program uses permit holder information as a basis for determining the party responsible for fee payments: about 2,400 IFQ permit holders were billed in 2005. There is no comparable permit structure in the CDQ Program. Halibut and crab permits are issued to individual CDQ groups, but not to individual vessels. We may have to assess whether a permit or similar mechanism would be necessary to implement a vessel based program.

The number of vessels participating in the groundfish CDQ fisheries has been relatively constant the last several years. In 2005, 17 trawl catcher/processors, one mothership, 17 hook-and-line catcher/processors, five hook-and-line catcher vessels, and six pot catcher vessels participated in the groundfish CDQ fisheries. The number of vessels that harvested halibut CDQ was 211. To date, 21 vessels have harvested crab CDQ during the 2005-2006 crab year. Examples of estimated fee liabilities for vessels participating in the CDQ fisheries have not been calculated.

Option 2 would examine apportioning the annual CDQ fee liability equally between vessels and processors based on ex-vessel value. This is analogous to the division of fee liability in the Crab Rationalization Program. This option would require that both vessels and processors participating in the CDQ fisheries pay a fee for the CDQ species that they harvest and process, respectively. The fee liabilities for CDQ species landed at shoreside processors could be split equally between harvesters and processors, as is done in the CR program. Most halibut and crab CDQ is landed at shoreside processors, but most groundfish CDQ is harvested at-sea. This option would consider requiring at-sea catcher/processors to pay both components of such a fee. In 2005, four shoreside processors took deliveries of groundfish CDQ, 26 registered buyers took deliveries of halibut CDQ, and nine registered crab receivers took deliveries of crab CDQ.

As with Option 1, this option would require the calculation of standardized ex-vessel prices for CDQ species in order to derive the annual fee liability for both vessel and processors. Specific examples of estimated fee liabilities for vessels and processors participating in the CDQ fisheries have not yet been calculated.

## State of Alaska (State) cost recovery program

The State currently manages its own cost recovery program for the administrative expenses it incurs for management of the CDQ Program. Recall that the Magnuson-Stevens Act allows the State to apply for reimbursement for the actual costs directly incurred in the management and enforcement of the CDQ Program.

In light of the absence of Federal action to implement a CDQ cost recovery program, the State of Alaska undertook its own cost recovery effort in 2000. The Alaska State Legislature passed legislation authorizing the establishment of an "administrative cost charge" for the State's role in the CDQ Program. The State now is authorized to collect administrative costs approximately equal to the appropriations authorized for a given fiscal year for the State's role in administering the program. Such costs currently are limited to the costs incurred by the Department of Commerce, Community, and Economic Development (DCCED), but not for costs incurred by other State agencies, such as the Department of Fish and Game (management of the crab CDQ fisheries) or the Department of Public Safety (enforcement). The State's fiscal year begins on July 1 and ends on June 30. The State bills the CDQ groups no later than June 30 for the fees assessed for the next fiscal year. Upon notification by the State, CDQ groups have 45 days to submit their fee. The fees collected from the groups are deposited in the general fund of the State treasury.

The State's cost recovery program was developed with input from the CDQ groups. Each group pays a fee that is based on a combination of a flat fee and a proportional fee based on the value of its allocations. Fifty percent of the CDQ fee is divided equally among the six CDQ groups. The remaining fifty percent of the fee is variable based on the relative ex-vessel value of each group's allocations of crab, pollock, and Pacific cod. Thus, groups with larger allocations pay a higher proportion of the variable charge.

In 2000, the State assessed a total fee of $250,000 for fiscal year 2001; that amount has since increased to a total charge of $306,200 per fiscal year, starting in FY 2004. The total CDQ fees assessed by the State to date are approximately $1.7 million. The annual fees the State has assessed are shown in below.

| FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | Total to date |
|---|---|---|---|---|---|---|
| $250,000 | $250,000 | $256,200 | $306,200 | $306,200 | $306,200 | $1,674,800 |

**(3)(v) Estimated Management and Enforcement Costs of the CDQ Program in Fiscal Year 2005**

| Agency | Division | Estimated costs in 2005 | Purpose |
|---|---|---|---|
| NMFS | Sustainable Fisheries | $331,000 | Federal management and oversight, policy analysis, federal regulations |
| | Sustainable Fisheries | $105,000 | Management of the groundfish CDQ fisheries (quotas, transfers, eligible vessels) |
| | RAM | $  6,000 | Management of the halibut CDQ fisheries |
| | Office of Administrative Appeals | $ 1,000 | Review of 2005 crab IAD and appeal, program development |
| | Observer Program | $309,000 | CDQ observer training and debriefing, sampling gear, sampling station inspections |
| | Enforcement | $0 | Enforcement of federal regulations governing groundfish, crab, and halibut CDQ fisheries. (No CDQ related costs incurred in 2005) |
| NOAA | General Counsel, GCAK | $133,000 | Legal review and advice on administrative determinations, administrative appeals, lawsuits, policy analyses, and rulemaking. |
| NOAA | General Counsel, ENL | $6,000 | Enforcement of federal regulations (quota overages, fisheries violations) |
| | Total Federal Costs | $891,000 | (% of total = 61%) |
| | | | |
| State of Alaska | ADCCED | $306,200 | Administration and oversight of the CDQ Program. |
| | ADF&G | $254,000 | Management of the crab CDQ fisheries (Dutch Harbor and Nome offices) |
| | Total State Costs | $560,200 | (% of total = 39%) |
| | TOTAL FEDERAL AND STATE COSTS | $1,451,200 | |

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**(3)(vi) Estimated Deductible Costs**

The MSA requires that the:

> Secretary shall deduct from any fees collected from a community development quota program under section 304(d)(2) the costs incurred by participants in the program for observer and reporting requirements which are in addition to observer and reporting requirements of other participants in the fishery in which the allocation to such program has been made.

This requirement means that NMFS would assess the total fee liability for the CDQ group or other entity required to pay the CDQ fee, but that certain costs would be allowed to be deducted from that fee liability before payment was made to NMFS.

Analysts propose the following definitions:

Participants in the CDQ Program include the CDQ groups, the owners or operators of vessels that harvest CDQ allocations on behalf of the CDQ groups, and the owners of processors who process the CDQ allocations. The activities of all of these participants in the CDQ Program are regulated in some way by the federal government and all of them are subject to some kind of observer or reporting requirement associated with the CDQ Program.

Deductible costs, for purposes of the CDQ cost recovery program, means those costs incurred by participants in the CDQ Program for observer and reporting requirements which are in addition to observer and reporting requirements of other participants in the fishery in which the allocation to the CDQ Program is made.

Current observer and reporting requirements for the CDQ fisheries fall into three categories:

- observer coverage requirements,
- catch reporting requirements, and
- economic development reporting requirements.

Observer coverage requirements: Observers are required on vessels participating in the groundfish, halibut, and crab CDQ fisheries to collect the data necessary to estimate the catch that accrues against the groundfish CDQ and prohibited species catch allocations. Observers also are required in all groundfish and crab fisheries to collect other fishery and biological data necessary to manage the fisheries as a whole and assess their impact on protected and non-target species. Table DC-1 provides a comparison of observer coverage requirements in the CDQ fisheries compared with observer coverage requirements in the comparable non-CDQ fishery. The last column of Table DC-1 provides an assessment of whether there is potential for the CDQ groups to incur costs for observer coverage requirements in addition to those costs incurred by participants in the comparable non-CDQ fishery.

*Groundfish and halibut*: The observer coverage requirements for the groundfish and halibut CDQ fisheries are established by NMFS and specified in 50 CFR part 679 (§679.50). Requirements for observers on vessels participating in the groundfish and halibut CDQ fisheries are specified by vessel size and gear type. In addition, an observer is required in the shoreside processing plant or stationary floating processor to monitor each groundfish CDQ delivery.

- Pollock: Observer coverage requirements for the pollock CDQ fisheries are the same as requirements for the pollock AFA fisheries. Therefore, no deductible costs are expected to be associated with observer coverage requirements for the pollock CDQ fisheries.

- Non-pollock trawl and all CDQ fisheries using longline and pot gear: Observer coverage requirements for the non-pollock trawl CDQ fisheries and all CDQ fisheries using longline and pot gear generally are higher than the comparable non-CDQ fishery. (One exception is that in the non-CDQ fisheries, two observers are required when directed fishing for Atka mackerel inside the Harvest Limitation Area (HLA).)

*Crab*: Observer coverage requirements for the crab CDQ fisheries are established by the State of Alaska. According to the Alaska Department of Fish and Game, there are no differences in the observer coverage requirements in the crab CDQ and crab IFQ fisheries. Therefore, no deductible costs are expected to be associated with observer coverage requirements for the crab CDQ fisheries.

Table DC-1. Differences in Observer Coverage Requirements for the CDQ and non-CDQ fisheries by species, gear, and vessel type.

| CDQ Fishery | Observer Coverage Requirements | Comparable Non-CDQ Fishery | Observer Coverage Requirements | Potential for CDQ groups to incur additional costs that would be deductible? |
|---|---|---|---|---|
| Pollock, trawl gear | 2 observers on c/ps and motherships; 1 observer on catcher vessels ≥ 60'LOA, except those delivering unsorted codends; each delivery observed in shoreplant | AFA pollock, trawl gear | Same as pollock CDQ | No |
| All other groundfish species, trawl gear | 2 observers on c/ps and motherships; 1 observer on catcher vessels ≥ 60' LOA, except those delivering unsorted codends; each delivery observed in shoreplant | All other groundfish species, trawl gear (Atka mack inside HLA is different) | 1 observer on vessels ≥ 125' LOA; 1 observer on 30% of fishing days for vessels between 60' and 125' LOA; no observers on vessels <60'; shoreplant observers based on plant's monthly production | Yes |
| All groundfish species, longline gear | 2 observers on c/ps (sometimes reduced under alternative fishing plan); 1 observer on catcher vessels ≥ 60' LOA; each delivery observed in shoreplant; can use vessel observer in shoreplant | All groundfish species, longline gear | 1 observer on vessels ≥ 125' LOA; 30% coverage on vessels between 60' and 125' LOA; shoreplant coverage based on plant's monthly production. | Yes |
| All groundfish species, pot gear | 1 observer on c/ps; 1 observer on catcher vessels ≥ 60' LOA; each delivery observed in shoreplant; can use vessel observer in shoreplant | All groundfish species, pot gear | 30% coverage for catcher vessels or c/ps ≥ 60' LOA. Shoreplant coverage based on plant's monthly production. | Yes |
| Halibut, hook-and-line gear | Same as groundfish CDQ using longline gear | Halibut IFQ fisheries | None | Yes |
| Crab, pot gear | Under State regulations, no difference between CDQ and IFQ | Crab, pot gear | Under State regulations, no difference between CDQ and IFQ | No (according to ADF&G) |

Table DC-2. Estimated number of observer coverage days in the 2005 groundfish and halibut CDQ fisheries, number of coverage days under requirements for the comparable non-CDQ fisheries, and estimate of the difference in cost between these two sets of observer coverage requirements

| CDQ Fishery | # Days CDQ Fishing in 2005 (*) | (A) Coverage Days under CDQ Requirements | (B) Coverage Days under Non-CDQ Requirements | Cost of Difference (A-B) * $355) |
|---|---|---|---|---|
| Pollock, trawl c/ps and motherships | 532 | 1064 | 1064 | $0 |
| Other groundfish, trawl c/ps, <125’ LOA (30%) | 15 | 30 | 5 | $8,875 |
| Other groundfish, trawl c/ps, ≥ 125’ LOA (100%) | 139 | 278 | 139 | $49,345 |
| Other groundfish, trawl c/ps, ≥ 125’ LOA (100%) fishing inside HLA | 27 | 54 | 54 | $0 |
| Longline catcher/processors <125’ LOA (30%) | 218 | 436 | 65 | $131,705 |
| Longline catcher/processors <125’ LOA (30%), fishing under alt fishing plans | 14 | 14 | 4 | $3,550 |
| Longline catcher/processors, ≥ 125’ LOA (100%) | 351 | 702 | 351 | $124,605 |
| Longline catcher/processors, ≥ 125’ LOA (100%), fishing under alt fishing plans | 131 | 131 | 131 | $0 |
| Sablefish, pot gear,catcher vessel ≥ 60’ LOA | 216 | 216 | 65 | $53,605 |
| Halibut, longline catcher vessel, ≥ 60’ LOA | 35 | 35 | 0 | $12,425 |
| Total | 1,678 | 2,960 | 1,878 | $384,111 |

* Number of days observed reported catch from a CDQ fishery on this vessel. Actual number of days an observer was onboard the vessel likely would be greater than the number of days fishing.

Table DC-3. Catch reporting and economic development reporting requirements for the CDQ Program and preliminary assessment of potential deductible costs.

<table>
<tr><th></th><th>Potential as a deductible cost?</th></tr>
<tr><td>Catch reporting requirements</td><td></td></tr>
<tr><td>CDQ transfer request form</td><td rowspan="4">Need to assess whether these catch reporting requirements have comparable requirements in the non-CDQ fisheries (permit requirements, allowance for transfer, catch reports for cooperatives or IFQ permit holders, etc.</td></tr>
<tr><td>Request for approval of an eligible vessel</td></tr>
<tr><td>CDQ delivery report</td></tr>
<tr><td>CDQ catch report</td></tr>
<tr><td>Alternative fishing plan form</td><td>Need to assess whether requirements for the use of an optional form are deductible.</td></tr>
<tr><td>Economic development reporting requirements</td><td></td></tr>
<tr><td>Community development plan (not submitted each year)</td><td rowspan="5">All of these requirements probably involve deductible costs because all “reporting requirements” for the CDQ groups.<br><br>Participants in the non-CDQ fisheries do not have the same requirements to report how allocations or money from allocations are used or planned to be used.<br><br>Assess whether cooperative annual reporting requirements at 50 CFR part 679 (§679.61(d)-(f)) would reduce deductible costs).<br><br>Most (?) of these requirements would be removed under proposed CDQ related amendments to the MSA amendments.</td></tr>
<tr><td>Substantial amendments to CDPs</td></tr>
<tr><td>Technical amendments to CDPs</td></tr>
<tr><td>Annual budget report</td></tr>
<tr><td>Annual budget reconciliation Report</td></tr>
</table>

Table DC-4 Estimated costs for economic development reporting requirements from the August 2004 Paperwork Reduction Act submission by NMFS Alaska Regional Office.

| Reporting requirement | Estimated average # of submissions per year per CDQ group | Estimated annual cost per CDQ group | Estimated annual cost for CDQ Program |
|---|---|---|---|
| Community development plan (not submitted each year) | 1 in a year in which a CDP is prepared | $78,000 | $468,000 |
| Substantial amendments to CDPs | 3 | $6,000 | $36,000 |
| Technical amendments to CDPs | 1 | $50 | $300 |
| Annual budget report | 1 | $1,000 | $6,000 |
| Annual budget reconciliation report | 1 | $2,400 | $14,400 |
| Total cost in a year that a CDP ***is not*** developed | | $9,450 | $56,700 |
| Total cost in a year that a CDP ***is*** developed | | $87,450 | $524,700 |

**(3)(vii) Plan for analysis and implementation schedule**

| | |
|---|---|
| October 2006 | Initial draft RIR/IRFA presented for Council review |
| December 2006 or Feb. 2007 | Council takes final action on recommendations to NMFS |
| December 2007 | Final rule establishing CDQ cost recovery program is effective (final rule would have to be effective by August 2007 to include 2007-08 crab CDQ fisheries in the first year's bill) |
| January 2008 | Cost recovery fee liability starts to accrue on CDQ allocations or harvest in 2008 |
| Jan-Mar 2009 | First bills are issued for CDQ cost recovery fees |

**(3)(viii) Fee collection cycle**

Another issue that must be addressed for any of the alternatives and options under consideration is the fee collection cycle. The design of a cost recovery billing cycle must address a variety of different elements. These include the availability of applicable management costs for a given fiscal year, consideration of when the fishing years for different species begin and end, when ex-vessel price information is available, and how to incorporate deductible costs into the fee assessment and collection process.

Summary of fishing years, fiscal years, and billing/collection timing

| **Year 1** | | | | **Year 2** | | | | **Year 3** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | Crab fishing year | | | | | | | | | |
| | | | | Halibut fishing year (ends Nov. 15) | | | | | | | |
| | | | | Groundfish fishing year | | | | | | | |
| | | | | | | | | | | | |
| | | | Federal fiscal year | | | | | | | | |
| | | State fiscal year | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | Compile | Bill | Submit | | |

The following is a preliminary description of a general CDQ cost recovery cycle:

| Tentative date | Task |
|---|---|
| October, Year 2 | Compilation of actual management and enforcement costs for FY2 begins. |
| November, Year 2 | If the State of Alaska is going to recover costs through the Federal cost recovery program, it would submit costs to NMFS for (1) the Federal fiscal year, or (2) the previous State fiscal year. |
| Q4, Year 2 | NMFS begins estimating the ex-vessel value of the groundfish, halibut, and crab CDQ fisheries for calendar year 2.<br>If this value is used for the purpose of establishing the limit of the total fee that can, be collected, then it may be possible to use previous year's average ex-vessel prices (i.e., Year 1). Alternatively, if this value is used as a basis for actual fee assessment, then more timely ex-vessel price information from Year 2 may need to be collected. |
| Q1, Year 3 | NMFS calculates both annual fee percentage and the fee liability for each applicable entity. |
| Q1, Year 3 | Entity responsible for fee liability submits documentation of deductible costs to NMFS. |
| Q1, Year 3 | Within 45 days of receipt of documentation, NMFS reviews it and either approves, requests additional information, or issues initial administrative determination to disapprove some or all of the deductible costs. |
| Q1 or Q2, Year 3 | Responsible entity submits net fee (total fee less approved deductible costs) or appeals IAD. |
| Unknown | NMFS reimburses State for management and enforcement costs. |