



**NOAA**  
**FISHERIES**

# NMFS Cost Recovery

## Central Gulf Of Alaska Rockfish

2016



Sustainable  
Fisheries  
April 2017

# Rockfish Cost Recovery for Fishing Year 2016

## Cost Recovery

Under section 303A(e) of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act), costs for management and enforcement of individual fishing quota and other limited access privilege programs (LAPPs) are recoverable from participants. The Central Gulf of Alaska Rockfish Program (Rockfish Program) is a LAPP established under the provisions of section 303A of the Magnuson-Stevens Act. Therefore, NMFS is required to collect fees for the Rockfish Program. The MSA also limits the cost recovery fee so that it may not exceed three percent of the ex-vessel value of the fish harvested under the Rockfish Program.

This report reviews the cost recovery requirements and responsibilities of fishery participants and NMFS; how the fee is determined; and the Rockfish Program management and enforcement costs subject to cost recovery.

## Requirements and Responsibilities

NMFS issues cooperatives an annual cooperative quota (CQ) permit to fish under the Rockfish Program. Therefore, Rockfish Program cooperatives are responsible for paying cost recovery fees. Cost recovery fees are assessed on the ex-vessel value of rockfish primary species and rockfish secondary species CQ harvested by Rockfish Program cooperatives in the Central Gulf of Alaska and waters adjacent to the Central Gulf of Alaska when rockfish primary species caught by vessels in the cooperative are deducted from the Federal total allowable catch. The cost recovery fees do not apply to halibut prohibited species catch CQ since that halibut cannot be retained for sale and, therefore, does not have an ex-vessel value. The cost recovery fees do not apply to Rockfish Program entry level longline fishery and opt-out vessels because those participants do not receive rockfish CQ.

### *For CQ Permit Holders*

CQ permit holders are responsible for fees owed for all Rockfish Program CQ landings on their permit. A CQ permit holder must submit any Rockfish Program cost recovery fee liability payment(s) to NMFS no later than February 15 of the year following the calendar year in which the CQ landings were made. Payment must be made electronically in U.S. dollars by automated clearing house, credit card, or electronic check drawn on a U.S. bank account.

**Penalties:** Failure to pay on time results in NMFS action against the permit holder's Rockfish Program CQ holdings and can result in additional monetary charges, fines, and/or permit sanctions. If a permit holder fails to pay by the February 15 due date, the permit holder's CQ will become nontransferable until the fee liability is satisfied, and he or she may not receive CQ by transfer. The NMFS, Alaska Region, Operations and Management Division (OMD) will issue an Initial Administrative Determination (IAD) to which the permit holder must respond within 30 days. If an account is unpaid for 30 days after the due date, administrative fees, interest, and penalties start to accrue.

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 CQ permit account will be sanctioned and the permit holder will be unable to fish until the fee liability is satisfied. Additionally, no Rockfish Program CQ may be

issued based on the Rockfish Program QS held by the members of that cooperative to any other CQ permit for that calendar year. Additional fines may also apply.

### ***For Rockfish Processors***

A rockfish processor that receives and purchases landings of Rockfish Program CQ must annually submit to NMFS a complete Rockfish Ex-vessel Volume and Value Report, for each reporting period for which the processor receives Rockfish Program CQ species. The reporting period of the Rockfish Ex-vessel Volume and Value Report extends from May 1 through November 15 of each year. A complete Rockfish Ex-vessel Volume and Value Report must be received by the NMFS not later than December 1 of the year in which the rockfish processor received the Rockfish Program CQ species.

### ***For NMFS***

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

- ✓ compiles a list of all Rockfish Program landings by species and month;
- ✓ uses Rockfish Program Ex-vessel Volume and Value Report data to calculate a set of standard ex-vessel prices for 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 fishery value of the year's Rockfish Program fisheries;
- ✓ compiles all direct management, data collection, and enforcement costs (direct program costs) attributable to the Rockfish Program;
- ✓ uses direct program costs and fishery value to calculate the annual fee percentage;
- ✓ applies the fee percentage to the value of a landing to determine the fee owed for each landing;
- ✓ sums the fees owed for all landings on the Rockfish Program CQ permits held by each permit holder. This final figure is the *annual fee* each permit holder owes; and
- ✓ mails Rockfish Program CQ permit holders a summary that itemizes their landings and shows their calculated fee.

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

NMFS announced that the 2016 IFQ fee percentage was set at 2.54 ([82 FR 5533, January 18, 2017](#)). Under cost recovery regulations, CQ permit holders who used their permits to make landings of Rockfish Program primary and secondary species during the 2016 Rockfish Program fishery were obligated to pay 2.54 percent of the total ex-vessel value from the sale of their Rockfish Program fish. The fee percentage derives from two sources:

- The fishery value of the Rockfish Program fisheries for 2016; and
- The direct program costs for the Rockfish Program as measured by actual expenditures during Federal fiscal year 2016.

These sources are discussed below.

### *Fishery Value of the Rockfish Program Fisheries*

Fishery value is determined from ex-vessel prices for each Rockfish Program species throughout the fishing season. To account for price variability, NMFS calculates an average ex-vessel price for each species and month and uses these average (standard) prices to calculate the fishery value of the Rockfish Program fisheries.

NMFS used the 2016 data submitted by rockfish processors on the Rockfish Ex-vessel Volume and Value Report to calculate a standard ex-vessel price for each species by month. NMFS multiplied the amount of Rockfish Program species landed by month by these standard price to calculate the standard ex-vessel values. The fishery value of the Rockfish Program fisheries is the sum of standard ex-vessel values for each Rockfish Program species and month. The fishery value of the Rockfish Program fisheries based on standard ex-vessel prices in 2016 was \$12,009,975.

### *Direct Program Costs for the Rockfish Program*

Direct program costs are the costs NMFS incurs to manage, collect data from, and conduct enforcement for the Rockfish Program fisheries. Note that direct program costs are incremental: the costs would not have been incurred except for the Rockfish Program. Cost recovery fees do not increase agency budgets or expenditures. The fee offsets funds that would otherwise have been appropriated for management of the Rockfish Program. No budgetary advantage is gained by inflating costs.

To arrive at these annual costs, NMFS calculates Rockfish Program direct program costs for the Federal fiscal year (FY), which is October 1 through September 30. NMFS tracks costs by operating units including NMFS Restricted Access Management (RAM), NMFS Information Services Division (ISD), NMFS Office of Law Enforcement (OLE), NMFS Sustainable Fisheries (SF), NMFS Operations and Management Division (OMD), NMFS Alaska Fisheries Science Center (AFSC), NMFS Regional Administrator Office (RA), and Alaska Department of Fish and Game (ADF&G). Table 1 includes an overview of many of the management tasks that are included in the direct program costs by operating unit. Table 2 details the FY16 direct program costs for the Rockfish Program. Figure 1 compares the direct program costs of each NMFS operating unit during FY 2016 and FY 2015.

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

- maintenance of electronic reporting systems, including the catch accounting system (ISD, ADF&G),
- programming and web design for online applications (ISD),

- determination of annual cooperative allocations of cooperative fishing quota (CQ) and prohibited species catch (PSC) (SFD),
- issuance of (CQ), responding to questions about CQ applications (RAM, RA),
- transfers of CQ, responding to questions about transfers (RAM),
- observer debrief (AFSC),
- catch monitoring control plan specialist (SFD),
- monitor cooperative fisheries CQ and PSC, answer questions on cooperative activities, respond to data requests (SFD),
- determination of standard ex-vessel prices using value and volume reports submitted by rockfish processors (SFD),
- fee determination and collection process (OMD),
- cost recovery report (SFD, OMD),
- analysis and rulemaking activities: regulations to allow NMFS to reapportion unused Chinook salmon prohibited species catch (Amendment 103) (SFD, RA).

**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 fishery value (V) of the Rockfish Program fisheries, and then multiplies by 100 to calculate a percentage. The result is the *fee percentage*. The detailed steps to calculate the 2016 fee percentage are as follows:

**Detail of formula for calculating the 2015 fee percentage**

Factor	Value	Activity
Cost (DPC)	\$304,684	divide by V
Fishery Value (V)	\$12,009,975	multiply by 100
=	2.54	

**Rate for 2016 Rockfish Program = 2.54 percent**

**Summary of Direct Program Costs for 2016**

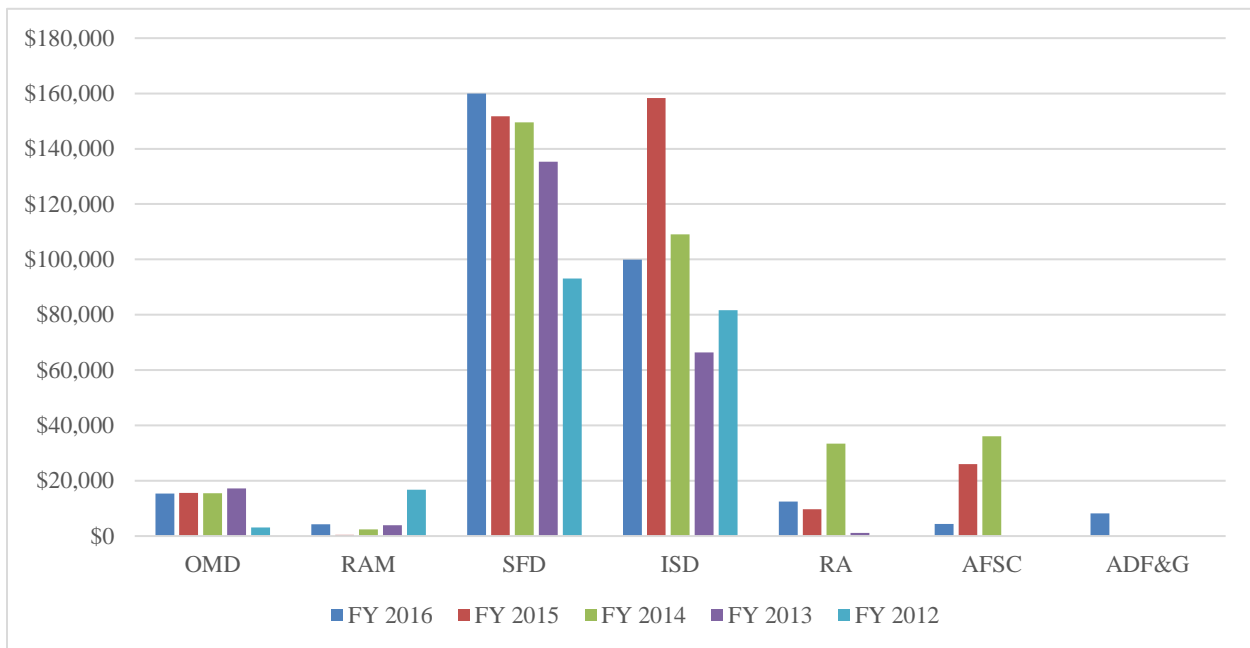
The 2016 fee liability percentage of 2.54 is 0.46 percent less than the 2015 fee percentage of 3 percent (81 FR 10591; March 1, 2016). Figure 1 shows the direct program costs by operating unit for all years since implementation of the Rockfish Program in 2012. Table 2 shows the program costs for FY 2016. The program costs are shown by operating unit and broken down into budget line items.

Overall, direct program costs for FY 2016 (\$304,684) decreased compared to FY 2015 (\$361,790). Additionally, the Rockfish Program fishery value increased in 2016 to \$12,009,975, from the 2015 fishery value of \$11,117,262. Both of these factors contributed to a lower fee percentage for 2016 than 2015.

Between FY 2015 and FY 2016, contracting costs decreased significantly for ISD (from \$69,273 in FY15 to \$18,296). This was due to a one-year increase in contracting costs in FY 2015 for software upgrades necessary for maintaining the catch accounting system. For FY 2016, direct program costs for AFSC decreased to \$2,163 through efficiencies in deployment of at-sea observers. Additionally, in FY 2016, ADF&G began collecting costs for the Rockfish Program. ADF&G incurred direct program costs for the Rockfish Program during FY 2016 for maintenance of the electronic reporting system, eLandings.

Calculation of the annual fee percentage relies on good reporting of price per pound of Rockfish Program landings by processors. For 2016, processors and cooperatives complied well with cost recovery fee program requirements.

**Figure 1 Rockfish Program direct program costs by operating unit during fiscal years 2012 through 2016.**



**Table 2 Fiscal year 2016 Rockfish Program direct program costs by cost recovery component and operating unit.**

<b>Cost Recovery Component</b>	<b>NMFS OMD</b>	<b>NMFS RAM</b>	<b>NMFS SFD</b>	<b>NMFS ISD</b>	<b>NMFS RA</b>	<b>NMFS AFSC</b>	<b>ADF&amp;G</b>	<b>Total</b>
Personnel Costs <sup>a</sup>	\$8,800	\$4,300	\$119,600	\$68,000	\$12,500	\$2,163	\$7,279	\$222,642
Travel <sup>b</sup>	-	-	\$4,100	\$4,100	-	-	\$30	\$8,230
Transportation <sup>c</sup>	-	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-	-
Contracts/Training	\$5,000	-	\$31,215	\$18,296	-	-	\$856	\$55,367
Supplies	\$200	-	\$200	\$2,500	-	-	-	\$2,900
Equipment	-	-	\$300	-	-	-	-	\$300
Rent/Utilities <sup>d</sup>	\$1,400	-	\$300	\$7,000	-	-	-	\$8,700
Other	-	-	\$4,300	-	-	\$2,244	-	\$6,544
<b>Total</b>	<b>\$15,400</b>	<b>\$4,300</b>	<b>\$160,015</b>	<b>\$99,896</b>	<b>\$12,500</b>	<b>\$4,407</b>	<b>\$8,166</b>	<b>\$304,684</b>

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

<sup>b</sup> Travel includes per diem payments.

<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.

**Table 6 Rockfish Program cost recovery from 2012 through 2016.**

<b>Year</b>	<b>Pounds landed</b>	<b>Fishery Value</b>	<b>Total Program Costs</b>	<b>Calculated Fee Percentage</b>	<b>Actual Fee Percentage</b>
<b>2016</b>	49,777,303	12,009,975	304,684	2.54%	2.54%
<b>2015</b>	45,152,020	11,117,262	361,790	3.3%	3.0% <sup>a</sup>
<b>corrected 2014</b>	44,016,252	10,505,776	345,948	3.3%	3.0% <sup>a</sup>
<b>2014<sup>b</sup></b>	25,618,470	6,265,656	345,948	5.5%	3.0% <sup>a</sup>
<b>2013</b>	36,222,525	8,716,340	224,059	2.5%	2.5%
<b>2012</b>	40,963,090	14,340,362	194,562	1.4%	1.4%

<sup>a</sup> These billed percentages were limited by the Magnuson-Stevens Act statutory 3 percent cap of the ex-vessel value of the fishery in any Program year.

<sup>b</sup> The pounds landed and fishery value for 2014 as reported in the *Federal Register* notice (80 FR 6053; February 4, 2015), however, NMFS subsequently determined that the landings and value from the catcher/processor sector were incorrectly excluded for 2014. However, the fee percentage remained at the 3 percent cap.