



NOAA
FISHERIES

Sustainable
Fisheries

CDQ Program Cost Recovery for Fishing Year 2016



December 2016

CDQ Program Cost Recovery for Fishing Year 2016

Cost recovery

Section 304(d) of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act) authorizes and requires the collection of cost recovery fees for limited access privilege programs and the Community Development Quota (CDQ) Program. Cost recovery fees recover the actual costs directly related to the management, data collection, and enforcement of the programs. Section 304(d) of the Magnuson-Stevens Act mandates that cost recovery fees not exceed three percent of the annual ex-vessel value of fish harvested by a program subject to a cost recovery fee, and that the fee be collected either at the time of 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.

On January 5, 2016, NMFS published a final rule to implement cost recovery for the CDQ program (81 FR 150). The CDQ Program allocates a portion of the total allowable catches of Bering Sea and Aleutian Islands (BSAI) groundfish species and halibut to CDQ groups. The CDQ groups are responsible for paying the fee for fish landed under the CDQ Program, due on December 31 of the year in which the landings were made. Cost recovery requirements for the CDQ groups are at 50 CFR 679.33. The total dollar amount of the fee due is determined by multiplying the NMFS published fee percentage by the ex-vessel value of all landings under the program made during the fishing year. NMFS published this notice of the fee percentages for the CDQ program in the **Federal Register** on November 28, 2016 (81 FR 85522). NMFS calculates the fee percentage each year according to the factors and methods described at 50 CFR 679.33(c)(2). NMFS determines the fee percentage that applies to landings made during the year by dividing the direct program costs by the fishery value.

CDQ Program cost recovery fee

Calculating the ex-vessel value of the CDQ Program fisheries

For purposes of calculating the fishery value, NMFS calculates a standard ex-vessel price (standard price) for all CDQ species: BSAI arrowtooth flounder, BSAI Greenland turbot, BSAI rock sole, BSAI yellowfin sole, BSAI Pacific cod, BSAI flathead sole, AI Pacific ocean perch, BSAI sablefish, BSAI halibut, and BSAI Atka mackerel.

NMFS calculates an annual standard price for BSAI arrowtooth flounder, BSAI Greenland turbot, BSAI yellowfin sole, BSAI flathead sole, AI Pacific ocean perch, trawl-caught BSAI sablefish, and BSAI Atka mackerel based on volume and value information reported in the First Wholesale Volume and Value Report, which for 2016 included data from February 4 through October 31. NMFS calculates a standard price for rock sole for two time periods—February 4 through March 31 and April 1 through October 31—also based on volume and value information reported in the First Wholesale Volume and Value Report.

For fisheries that are primarily harvested by catcher/processors, there is no reliable ex-vessel price generated from the sale of fish from a harvester to a processor. Therefore, NMFS estimates the ex-vessel price for those fishery species by using reported information on the first wholesale price from trawl catcher/processors that harvest CDQ species. The first wholesale price is the

market price of the primary processed fishery product. The estimated standard ex-vessel price is the value of processed products from catcher/processors divided by the retained round-weight (unprocessed weight) of catch and multiplied by a factor of 0.4 to correct for the value added to the fish product by processing.

NMFS calculates an annual standard price for CDQ Program trawl and fixed gear Pacific cod using volume and value data reported in the Pacific Cod Ex-Vessel Volume and Value Report by shorebased processors that receive BSAI Pacific cod landings. For 2016, the Pacific Cod Ex-Vessel Volume and Value Report includes data from February 4 through October 31.

NMFS calculates an annual standard price for CDQ fixed gear halibut and for CDQ fixed gear sablefish. The standard prices are the same as the Bering Sea port group prices calculated under the Observer Fee Program, which uses volume and value information reported annually on the IFQ Registered Buyer Ex-Vessel Volume and Value Report. For 2016, the IFQ Buyer Report includes data from October 1, 2015 through September 30, 2016.

Each landing made under the program is multiplied by the appropriate standard price to arrive at an ex-vessel value for each landing. These values are summed together to arrive at the ex-vessel value of the CDQ Program fisheries (fishery value).

Calculating the costs of management and enforcement

Direct program costs are calculated by determining the incremental management costs of the CDQ Program, that is, costs that would not have been incurred but for the CDQ Program. These costs cover the management, data collection, and enforcement of the CDQ Program by NMFS and ADF&G. The NMFS management units that incur direct program costs are: the Sustainable Fisheries Division (SFD), the Restricted Access Management Division (RAM), the Operations and Management Division (OMD), and the Information Systems Division (ISD). To arrive at these costs every year, each management unit calculates their CDQ Program incremental costs through an established accounting system that allows staff to track labor, travel, contracts, rent, and procurement. These costs are tracked for the Federal fiscal year (October 1 through September 30) and broken out by cost categories including personnel/overhead, travel, transportation, printing, contracts/training, supplies, equipment, and rent/utilities. For 2016, direct program costs were calculated from February 4 to September 30 (the effective date of the final rule to implement the cost recovery program). In subsequent years, direct program costs will include the full fiscal year. Table 2 displays the direct program costs for the CDQ Program for 2016.

Cost recovery fees do not increase agency budgets or expenditures. They simply offset funds that would otherwise have been appropriated, except the ADF&G expenditures for which there is no direct appropriation. No budgetary advantage is ever gained by inflating direct program costs.

In 2016, the highest costs were attributed to the Information Service Division for labor and contract costs to implement the cost recovery program and maintain the catch accounting system. Examples of the types of tasks that were included under the 2016 CDQ direct program costs are:

- implementation of new cost recovery program (SFD, ISD, OMD),
- analysis and rulemaking activities: Amendment 109 (SFD),
- maintenance of the catch accounting system (ISD, ADF&G),

- programming and web design for online applications (ISD),
- responding to questions about permits (RAM),
- at-sea scale inspections (SFD),
- observer sampling station inspections (FRAM),
- video equipment inspections (SFD),
- fee determination and collection process (OMD)

Calculating the annual fee percentage

NMFS computes the annual fee percentage by dividing the direct program costs by the total fishery value of CDQ landings. The annual fee percentage is calculated using the following formula:

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

The formula shows that the direct program costs (DPC), multiplied by 100, and is then divided by the fishery value (V). The result is the *fee percentage*.

The annual fee percentage is published in the *Federal Register* by December 1 and is applied to all landings of CDQ species that occurred that year. NMFS provides a summary of fee liabilities to all CDQ groups by December 1. The summary explains the cost recovery fee determination for each group including the current fee percentage, details of CDQ Program pounds debited from allocations by permit and date, and the standard prices for the landings.

Calculating the 2016 fee

The fee percentage for the 2016 CDQ Program fishing year derives from these sources:

- The total fishery value of the CDQ Program fisheries by sector; and
- The direct program costs for the CDQ Program (by actual expenditures during the Federal fiscal year).

The fee percentage for the CDQ Program is 0.29 percent. Table 1 shows the fee percentage computation.

Table 1. Detail of formula for calculating the 2016 fee percentage for the CDQ Program.

Factor	Value	Activity
Direct Program Cost (DPC)	\$203,384	times 100
Total Fishery Value (V)	\$68,979,512	divided by
=	0.29	yields
<i>Fee percentage for 2016 CDQ Program</i>		
<i>= 0.29 percent</i>		

Payment of cost recovery fees

NMFS sends fee statements to CDQ groups based on the group's reported landings for the most recent fishing year for all CDQ Program species and value as computed for fee collection purposes. The CDQ group is responsible for submitting payment to NMFS on or before December 31 of the year in which landings are made. Fees must be paid electronically.

If a CDQ group fails to pay on time, OMD will issue an Initial Administrative Determination to which the group 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. NMFS may take action against the CDQ group's groundfish and halibut allocations and assess additional monetary charges, fines, or permit sanctions. If after 120 days the fee remains unpaid, the unpaid balance is forwarded to the U.S. Department of the Treasury for collection.

Table 2. Fiscal Year 2016 direct program costs for the CDQ Program.

	Operations & Management Division	Restricted Access Management	Regional Administrator	Sustainable Fisheries Division	Information Systems Division	Alaska Fisheries Science Center	Alaska Department of Fish & Game	Total
Personnel Costs ^a	\$ 3,400	\$ 100	\$ 100	\$ 20,400	\$ 14,400	\$ 17,425	\$ 51,284	\$ 107,110
Personnel Benefits	\$ 1,000	\$ 100	\$ 100	\$ 6,700	\$ 6,000	-	-	\$ 13,900
Travel ^b	-	-	-	\$ 600	-	-	\$ 1,457	\$ 2,057
Transportation ^c	-	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-	-
Contracts/Training	-	-	-	-	\$ 64,494	-	\$ 5,243	\$ 69,737
Supplies	-	-	-	-	-	-	\$ 3	\$ 3
Equipment	-	-	-	-	-	-	-	-
Rent/Utilities ^d	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	\$ 10,578	-	\$ 10,578
Total	\$ 4,400	\$ 200	\$ 200	\$ 27,700	\$ 84,894	\$ 28,003	\$ 57,987	\$ 203,384

^a Personnel costs includes locality pay and overhead.

^b Travel includes per diem payments.

^c Transportation includes shipment of items.

^d Rent/Utilities includes costs of space and utilities and shared common space and services.