



**NOAA**  
**FISHERIES**

# CDQ Program Cost Recovery for Fishing Year 2019



Sustainable  
Fisheries

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## 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 (LAPP) 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, the National Marine Fisheries Service (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 a notice of the fee percentages for the CDQ program in the **Federal Register** on November 27, 2019 (84 FR 65357). 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 total costs directly related to the management, data collection, and enforcement of each program (direct program costs) during the year 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:

NMFS uses volume and value information reported in the First Wholesale Volume and Value Report from January 1 through October 31 to calculate 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. For BSAI rock sole, NMFS calculates a standard price 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 shoreside processors that receive BSAI Pacific cod landings. For 2019, the Pacific Cod Ex-Vessel Volume and Value Report includes data from January 1 through October 31, 2019.

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 2019, the IFQ Buyer Report includes data from October 1, 2018 through September 30, 2019.

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 used to calculate the fee percentage.

### 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 ADFG. 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), the Information Systems Division (ISD), the Alaska Fisheries Science Center (AFSC), and the Office of Law Enforcement Alaska Division (OLE). For the purposes of this report, OLE and AFSC costs are broken out into separate cost categories and all other NMFS Alaska Region (AKR) management unit costs are aggregated.

Throughout the 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. Table 2 displays the direct program costs for the CDQ Program for 2019.

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

Examples of the types of tasks that were included under the 2019 CDQ direct program costs are:

- analysis and rulemaking activities (NMFS),
- maintenance of the catch accounting system (NMFS, ADF&G),
- programming and web design for online applications (NMFS),

- patrols, investigations, outreach and education, and compliance assistance (OLE)
- responding to questions about permits (NMFS),
- at-sea scale inspections (NMFS),
- observer sampling station inspections (AFSC),
- video equipment inspections (NMFS),
- fee determination and collection process (NMFS)

### 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 2019 fee

The fee percentage for the CDQ Program is 0.70 percent. Table 1 shows the fee percentage computation.

Table 1. Detail of formula for calculating the 2019 fee percentage for the CDQ Program.

Factor	Value	Activity
Direct Program Cost (DPC)	\$ 544,438	divided by
Total Fishery Value (V)	\$ 77,677,591	multiply by 100
=	0.70	yields
<i>Fee percentage for 2019 CDQ Program = 0.70 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.

### Details on Cost Categories

Total CDQ Program costs decreased 3.6% in 2019. The largest category of direct program costs were attributed to NMFS AKR (Table 2). Over half of these costs are from contracts and training related to eLandings support, maintenance, and development, eLogbook support, and maintenance of the Catch Accounting System. For 2019, there was also contract work to carry out required upgrades to NMFS database applications.

OLE costs are primarily driven by personnel costs related to enforcement, compliance monitoring, and investigations relating to the CDQ program. These costs were lower in 2019.

ADFG costs are from eLandings program management. These costs increased in 2019 because positions that were vacant in 2018 were filled.

AFSC costs for CDQ include the Fisheries Monitoring and Analysis Division (FMA). The FMA operates the North Pacific Observer Program, which deploys observers onboard fishing vessels to collect catch data, and also at shoreside processing plants. The FMA activities also include quality control and quality assurance for the data provided by observers. In addition to Federal personnel costs, the AFSC reports costs associated with a grant to PSMFC which provides support to fisheries observers deployed on CDQ vessels. These activities include inseason operations, debriefing, data quality control, gear deployment, field office support, and travel. AFSC costs decreased in 2019.

Table 2. Fiscal Year 2019 direct program costs for the CDQ Program.

	NMFS AKR	NMFS OLE	NMFS AFSC	ADFG	Total
Personnel Costs <sup>a</sup>	\$ 60,600	\$ 93,755	\$ 61,555	\$ 54,712	\$ 270,622
Travel <sup>b</sup>	\$ 1,800	-	\$ 882	-	\$ 2,682
Transportation <sup>c</sup>	-	-	-	-	-
Printing	-	-	-	-	-
Contracts / Training	\$ 186,206	-	\$ 5,422	-	\$ 191,628
Supplies	\$ 2,500	-	-	-	\$ 2,500
Equipment	-	-	-	-	-
Rent / Utilities <sup>d</sup>	\$ 8,900	\$ 31,889	-	-	\$ 40,789
Grants	-	-	\$ 36,217	-	\$ 36,217
<b>Total</b>	<b>\$ 260,066</b>	<b>\$ 125,644</b>	<b>\$ 104,076</b>	<b>\$ 54,712</b>	<b>\$ 544,438</b>

<sup>a</sup> Personnel costs includes locality pay 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.

Direct program costs for FY 2017, FY 2018, and FY 2019 are compared in Table 3. Costs were lower in FY 2019 compared to FY 2018. Some costs were reallocated from the “Other” category, which previously encompassed grants, to the “Contracts/Training” category. These contracting expenses are primarily for eLandings/eLogbook support and maintenance of the Catch Accounting System, as well as system upgrades to improve efficiency. While program costs were lower in FY2019, a decrease in fishery value resulted in a 0.04 percent increase to the cost recovery fee percentage.

Table 3. Comparison of Direct Costs for Fiscal Years 2017, 2018, and 2019 for the CDQ Program

Cost Category	FY 2017	FY 2018	FY 2019
Personnel/Overhead	\$ 366,775	\$ 288,527	\$ 270,622
Travel	\$ 5,208	\$ 2,199	\$ 2,682
Transportation	-	-	-
Printing	\$ 150	-	-
Contracts/Training	\$ 884	\$ 161,403	\$ 191,628
Supplies	\$ 1,800	\$ 3,246	\$ 2,500
Equipment	-	-	-
Rent/Utilities	\$ 61,032	\$ 42,430	\$ 40,789
Other	\$ 11,732	\$ 67,345	\$ 36,217
<b>Total Direct Costs</b>	<b>\$ 447,580</b>	<b>\$ 565,050</b>	<b>\$ 544,438</b>
<b>Fishery Value</b>	<b>\$ 81,718,378</b>	<b>\$ 86,120,261</b>	<b>\$ 77,677,591</b>
<b>Fee Percentage</b>	<b>0.55</b>	<b>0.66</b>	<b>0.70</b>