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FISHERIES**

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Crab Rationalization Program Cost Recovery for Fishing Year 2019/2020



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Crab Rationalization Program Cost Recovery for Fishing Year 2019/2020

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 (LAPPs) and the Community Development Quota Program. The North Pacific Fishery Management Council developed a LAPP for Bering Sea and Aleutian Islands (BSAI) crab fisheries that allocates a percentage of the total allowable catch to participants in the Crab Rationalization Program (CR Program). NMFS published final regulations implementing the CR Program in 2005 (70 FR 0174, March 2, 2005).

The National Marine Fishery Service (NMFS) implemented a cost recovery program for the CR Program in 2005 (70 FR 10174, March 2, 2005). CR Program cost recovery authorizes the collection of actual management and enforcement costs up to three percent of ex-vessel gross revenues. Under the regulations implementing the CR cost recovery program, cost recovery fees must be paid in equal shares by the harvesting and processing sectors. The processing sector, specifically registered crab receivers (RCRs), are responsible for collecting the fee from the harvesters and submitting this and their own self-collected fee amount to NMFS.

Catcher/processors – vessels that harvest and process crab – pay the full fee.

Use of funds

Receipts from the cost recovery fee collection are deposited into two accounts. Up to twenty-five percent of the collections are deposited into the U.S. Treasury and are available to Congress for annual appropriations to support the BSAI Crab Quota Share Loan Program described below. The other remaining funds are deposited into the Limited Access System Administrative Fund. Funds in this account are available only to the Secretary and must be spent on CR Program management and enforcement.

BSAI Crab Quota Share Loan program

The BSAI Crab Quota Share Loan Program was implemented in 2011 (75 FR 78619, December 16, 2010). The program provides low interest loans to assist captains and crew in the purchase of quota shares (QS) for the CR Program. The loan program is accessible only to active fishery participants and can be used to purchase either CR Program QS or Crew QS. The NMFS Financial Services Branch administers the BSAI Crab Quota Share Loan Program and additional information is available by calling 206-526-6122.

CR Program cost recovery fee

NMFS computes the annual fee percentage that applies for each crab fishing year (defined at 50 CFR § 680.2 as July 1 through June 30). Fees are based on the total value of crab landings in money, goods, or services. For crab delivered raw for processing, each RCR's fee is estimated by multiplying the annual fee percentage needed to recover costs (up to three percent) by the ex-vessel value of CR Program crab. Catcher/processors participate in both the harvesting and processing sectors, so vessel owners or operators of catcher/processors must be RCRs and are responsible for paying the entire fee liability, based on standard prices derived from information reported for raw crab deliveries.

Prior to the start of the crab fishing year, NMFS publishes the annual fee percentage in the *Federal Register* ([85 FR 41566: July 10, 2020](#)). The fee percentage is used by RCRs to collect fee liabilities from harvesters, and then self-collect, throughout the fishing year. Due to the fact that the fee percentage is projected forward prior to management costs being finalized, any overpayment or underpayment is accounted for in the next year's fee percentage. The sections below describe the process by which the fee percentage is calculated.

Calculating the ex-vessel value of the CR Program fisheries

NMFS calculates the ex-vessel value of the CR Program fisheries using information from the Ex-vessel Volume and Value Report that is submitted annually by RCRs (due May 31). This report includes the pounds of CR Program crab purchased and the ex-vessel value paid. The overall ex-vessel value of the CR Program fisheries is calculated by summing the value of all pounds purchased of CR Program crab. Additionally, the Ex-vessel Volume and Value Report is used to calculate standard prices by month and by crab species. These standard prices are multiplied by the landings of catcher/processors to determine the ex-vessel value for that sector.

Calculating the costs of management and enforcement

Direct program costs are calculated by determining the incremental costs of managing the CR Program, that is, costs that would not have been incurred but for the CR Program. These costs cover the management, data collection, and enforcement of the CR Program by NMFS, the Alaska Department of Fish and Game (ADF&G), and the Pacific States Marine Fisheries Commission (PSMFC). The NMFS Alaska Region operating units that incur direct program costs include the Restricted Access Management Program (RAM), the Information Services Division (ISD), the Office of Law Enforcement Alaska Division (OLE), and the Sustainable Fisheries Division (SFD), the Regional Administrator/Appeals Office (RA/OAA), the Alaska Fisheries Science Center (AFSC), and the Financial Service Division (FSD). To arrive at these costs, every operating unit calculates CR Program direct program costs, broken out by cost categories including personnel/overhead, travel, transportation, printing, contracts/training, supplies, equipment and rent/utilities. The ADF&G and PSMFC track and report direct program costs in similar categories. Direct program costs are tracked from mid-April to mid-April of each calendar year.

Calculating the annual fee percentage

NMFS computes the annual fee percentage by dividing the direct program costs by the total ex-vessel value of crab landings in money, goods, or services. The annual fee percentage is calculated using the following formula:

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

The formula shows that the direct program costs of management and enforcement (DPC), multiplied by 100, and is then divided by the fisheries value (V). The result, rounded to the nearest 0.01 percent, is the *fee percentage*. The direct program costs also reflect any adjustments due to underpayment or overpayment from previous year's projection of management costs.

The annual fee percentage is published in the *Federal Register* at the start of the crab fishing year (July 1 through June 30) and is applied to all landings of CR Program crab. RCRs collect cost recovery fees as landings occur throughout the season. NMFS provides a summary of fees

due to all RCR permit holders during the last quarter of the crab fishing year. The summary explains the cost recovery fee determination for each individual RCR, including the current fee percentage, details of raw crab pounds debited from CR allocations by permit, port or port-group, species, date, and prices. Funds collected under the CR Program vary yearly because annual ex-vessel value and direct program costs fluctuate.

Calculating the 2019/2020 fee

The fee percentage for the 2019/2020 CR Program fishing year was set at 1.31 percent. This figure derives from these sources:

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

The total standard ex-vessel value of the 2019/2020 CR Program fisheries was \$199,226,271, which was 12.0 percent higher than the total standard ex-vessel value of the 2018/2019 fisheries of \$177,868,964. This value derives from price information submitted by the RCRs.

Using the fee percentage formula, the estimated percentage of costs to value for the 2019/2020 crab fishery was 1.31 percent. Therefore, NMFS applied the fee percentage of 1.31 percent to the 2019/2020 crab fishing year. Table 1 shows the fee percentage computation.

Table 1. Formula for calculating the 2019/2020 fee percentage

Factor	Value	Activity
Direct Program Cost (DPC)	\$ 2,616,001	divided by
Total Fishery Value (V)	\$ 199,226,271	multiply by 100
=	1.31	yields
<i>Fee percentage for 2019/2020 CR Program = 1.31 percent</i>		

During 2019/2020 (FY2019), direct program costs (\$2,616,001) decreased 13.3 percent compared with FY2018 program costs (\$3,017,069). Additionally, the value of crab harvested under the CR Program increased by \$21.4 million, or 12.0 percent. Overall, decreases in direct program costs and increased fishery value contributed to a reduced fee percentage in FY2019 relative to FY2018.

Examples of the specific tasks that were included under the 2019/2020 CR Program direct program costs are:

- management and stock assessment needs resulting from rationalization (ADF&G)
- fishery monitoring and observer support above pre-rationalized levels (ADF&G)
- maintenance of the catch accounting system (ISD, ADF&G)
- programming and web site design for online applications (ISD)
- issuing and responding to questions about CR Program permits (RAM)

- regulatory development for the CR Program (SF)
- training and outreach for electronic reporting of crab harvest (SF)
- transfers of QS and IFQ, responding to questions about transfers (RAM)
- fee determination and collection processes (OMD)
- inspections, boardings, investigations, and enforcement activities (OLE)
- administration of CR Program Economic Data Reports (AFSC, PSMFC)

Table 2 shows the FY2019 program costs by agency and operating unit, and Figure 1 is a comparison of those costs from FY2013 to FY2019. The two highest cost components are OLE and the ADF&G respectively. Between fiscal years, management and enforcement costs fluctuate due to changes within the agency and operating units, such as new contracts, required trainings, personnel changes, and equipment purchases.

Payment of cost recovery fees

NMFS sends fee statements to RCRs based on the RCRs' reported landings for the previous crab fishing year for all CR Program crab and value as computed for fee collection purposes. The RCR permit holder is responsible for submitting payment to NMFS on or before the due date of July 31, of the crab fishing year in which payment for the crab is made.

If an RCR fails to pay on time, OMD will issue an Initial Administrative Determination 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. NMFS may take action against the permit holder's QS holdings and assess additional monetary charges, fines, or permit sanctions. Additionally, the Regional Administrator may disapprove any transfer of IFQ, individual processing quota, QS, or processor quota shares to or from the RCR permit holder. The RCR may not be issued IFQ or individual processing quota for that crab fishing year if they fail to submit payment. If after 180 days the fee remains unpaid, the unpaid balance is forwarded to the U.S. Department of the Treasury for collection.

Details on Cost Categories

Management of CR fisheries is delegated to the State of Alaska. As a result, ADF&G incurs the highest costs of all management units involved in the program. ADF&G's largest cost component is personnel in order to support the added duration and complexity of management, stock assessment, and monitoring programs implemented through rationalization. Additional personnel, and the associated administrative overhead, were largely responsible for increased costs in FY2019. Contract and training expenses, which support crab observer deployment and training, decreased in FY2019. Additionally, ADF&G incurs incremental costs for their support of eLandings and the port sampling program.

OLE incurs primary costs for the IFQ data clerk contract and substantial personnel costs for enforcement monitoring and investigations of the CR Program due to the high number of participants (75-80 boats), complexity of the program, and duration of CR fisheries. Reduced staff time allocated to the CR Program fisheries along with the mid-year conclusion of a significant contract for IFQ data clerk services drove lower FY2019 costs for OLE. This contract is expected to be rebid for subsequent years.

NMFS costs for the CR Program include eLandings support, required maintenance of the Catch Accounting System, and personnel costs for regulatory development and implementation in the ISD and SFD operating units. NMFS RAM costs primarily result from the issuance of permits and transfer of quota. RA/OAA did not report any appeals costs in FY2019.

PSMFC costs support administration of Economic Data Reports for the CR program. PSMFC concluded periodically required database upgrades and audit work prior to FY2019, resulting in decreased costs for the accounting period.

AFSC had an increase in costs due to Council requests for additional Economic Data Report analyses at the April 2019, November 2019, and February 2020 meetings.

Figure 1. Crab Rationalization Program expenses by agency and NMFS operating unit from FY2013 to FY2019.

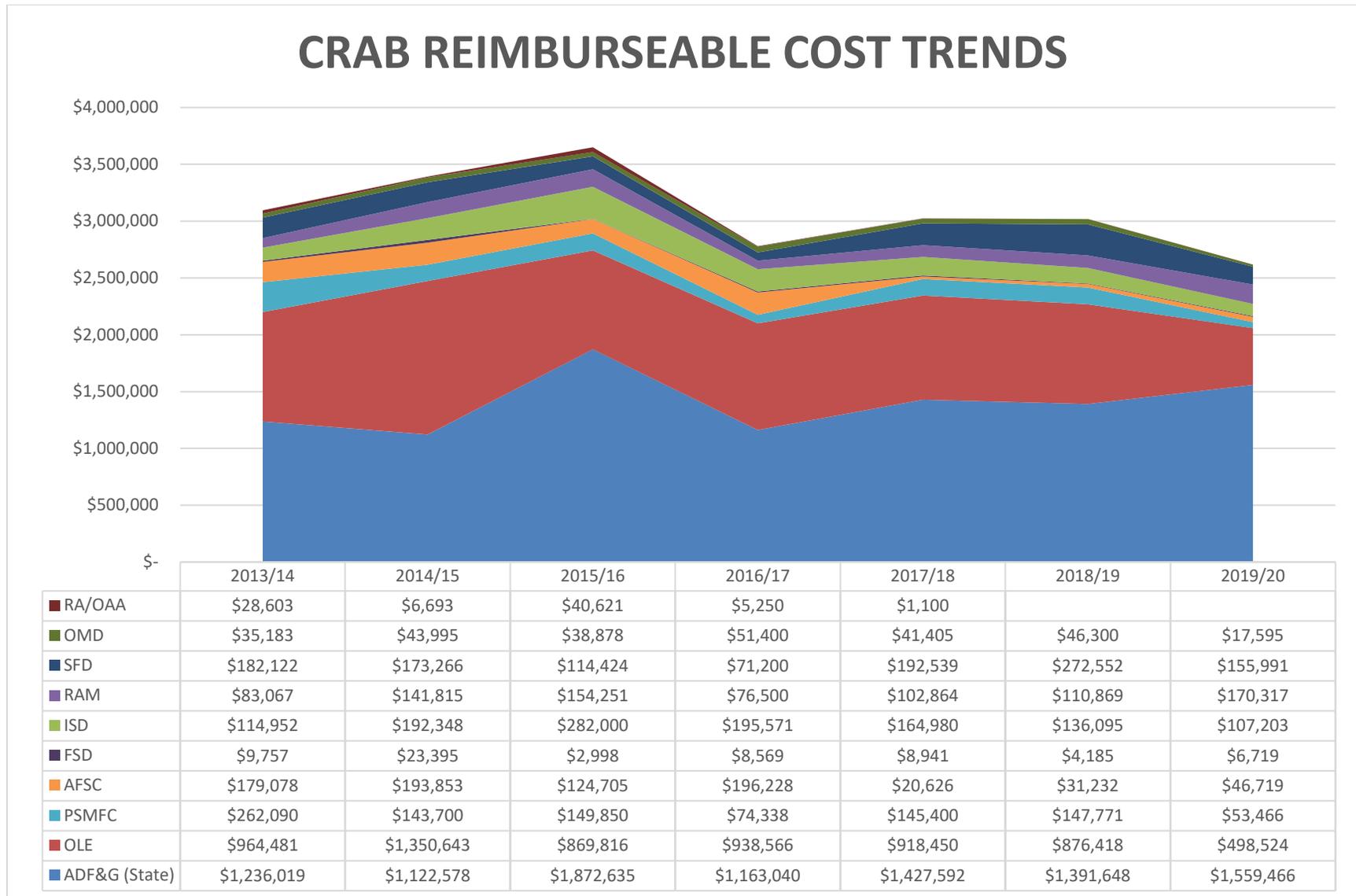


Table 2. Fiscal Year 2019 direct program for the CR Program (Fishing Year 2019/2020).

Cost Category	NMFS RAM	NMFS ISD	NMFS OLE	NMFS SFD	NMFS FSD	NMFS OMD	NMFS RA/OAA	NMFS AFSC	PSMFC	ADF&G	Total
Personnel Costs/ Overhead ^a	\$98,805	\$41,600	\$282,207	\$24,100	\$6,719	\$13,895		\$43,335	\$49,467	\$1,149,988	\$1,710,116
Travel ^b	\$100	\$1,100		\$14,300				\$3,384		\$37,762	\$56,646
Transportation ^c											\$0
Printing											\$0
Contracts/Training	\$59,613	\$59,603	\$130,866	\$110,391					\$618	\$362,870	\$664,408
Supplies	\$9,000	\$200	\$394	\$100						\$5,923	\$15,617
Equipment	\$300		\$4,075								\$4,375
Rent/Utilities ^d	\$10,500	\$5,400	\$80,982	\$7,100		\$3,700			\$2,034	\$2,923	\$112,639
Other ^e									\$1,347		\$1,347
Percentage of costs (%)	7%	4%	19%	6%	>1%	1%	0%	2%	2%	60%	100%
Total	\$170,317	\$107,203	\$498,524	\$155,991	\$6,719	\$17,595	\$-	\$46,719	\$53,466	\$1,559,466	\$2,616,001

^a Personnel Costs/Overhead includes locality pay and all benefits.

^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.

^e Other includes administrative costs associated with eligible CR program management and observer activity.

Conclusion

Cost recovery fees do not increase agency budgets or expenditures. They offset funds that would otherwise have been appropriated, except the PSMFC and ADF&G expenditures for which there is no direct appropriation. No budgetary advantage is gained by inflating CR Program management and enforcement costs. Table 3 shows the management costs and ex-vessel value of the CR Program fisheries for the purposes of cost recovery since the CR Program was initiated.

Table 3. CR Program cost recovery over time

Crab Fishing Year	Fishery Value ^a	Total Program Costs	Annual Fee Percentage ^b	RCR Permit Holders w/ Billable Landings
2019/2020	\$199,226,271	\$2,616,001	1.31	18
2018/2019	\$177,868,964	\$3,017,069	1.70	17
2017/2018	\$163,998,853	\$3,038,830	1.85	17
2016/ 2017	\$188,017,358	\$2,950,043	1.57	18
2015/ 2016	\$227,733,902	\$3,650,178	1.60	16
2014/ 2015	\$229,198,504	\$3,392,286	1.48	19
2013/ 2014	\$209,386,273	\$3,095,352	0.69	20
2012/ 2013	\$231,535,032	\$3,516,592	0 ^c	20
2011/ 2012	\$286,752,062	\$3,364,442	1.23	20
2010/ 2011	\$261,747,837	\$3,210,189	2.67	21
2009/ 2010	\$147,188,073	\$3,927,062	0 ^c	18
2008/ 2009	\$212,412,973	\$3,195,760	1.05	22
2007/ 2008	\$202,719,417	\$2,133,758	3.0 ^d	20
2006/ 2007	\$119,652,929	\$3,939,841	3.0 ^d	22
2005/ 2006	\$138,888,840	\$4,270,881	3.0 ^d	17

a Fishery Value is the projected ex-vessel value of the catch subject to the crab cost recovery fee liability for the current year. For this table, the value amount is rounded.

b Fee liability percentages are noted here for the crab fishing year from which they were derived. The fee percentage was applied to the following crab fishing year.

c For each fiscal year, the amount collected is rounded. Due to a revenue surplus, no billing/collection occurred in the 2009/10 and 2012/13 (Years 5 and 8, respectively) fishing year.

d These billed percentages were limited by the Magnuson-Stevens Act statutory three percent cap of the ex-vessel value of the fishery in any Program year.

Fees collected under the BSAI King and Tanner Crab Fishing Capacity Reduction Program

Under section 312(b) of the Magnuson-Stevens Act, NMFS has the authority to conduct a fishing capacity reduction program if funds are provided and such a program is necessary to prevent or end overfishing, rebuild stocks of fish, or achieve measurable or significant improvements in the conservation and management of a fishery. A capacity reduction program must be consistent with any state and Federal fishery management plans in place for a fishery. Funding for such programs is authorized under section 312(c) of the Magnuson-Stevens Act and allows NMFS to obtain funding through specific appropriations from industry fee systems and public, private, or nonprofit sources. Under this authority, regulations implementing the BSAI King and Tanner Crab Fishing Capacity Reduction Program was implemented in 2005 (68 FR 69331, January 12, 2004). Under administration of the FSD, NMFS bought back 25 BSAI crab fishing vessels, associated fishery histories, and 62 licenses to achieve the maximum sustained reduction in BSAI crab fishing capacity at the least cost and in minimum time. In the BSAI King and Tanner Crab Fishing Capacity Reduction Program, the FSD administers an industry-funded, 30-year loan of \$97,399,357.00 at a fixed rate of 6.54 percent. Additional information is available on the [NMFS BSAI King and Tanner Crab Fishing Capacity Reduction Program web page](#).

Fees for repayment of the loan are authorized under section 312(d)(2)(C) of the Magnuson-Stevens Act and are to be paid on harvests of the CR Program crab species. Harvesters are required to pay the fee and all parties making the first ex-vessel purchase of the crab (“fish buyers”) are required to collect the fee based on the crab's full delivery value, and account for and forward the fee revenue to repay the loan. The current fee rates are shown in Table 4. By regulation, the fee rate may not exceed five percent of the delivery value.

Fee collection to repay the loan began on October 17, 2005. BSAI Crab Buyback Loan Fees are due by the 7th day of the month after the month in which landings occurred. Buyback fees received after that date are subject to a 1.5 percent per month (or portion thereof) late charge fee. NMFS may withhold annual crab permits if buyback fees are outstanding.

Table 4 shows the principal balance for each of the “subloans” allocated to each fishery by the BSAI King and Tanner Crab Fishing Capacity Reduction Program. Loan balances are current as of December 31, 2020. The Aleutian Islands Golden (Brown) King Crab subloan was repaid in 2016, therefore all buyback fees collected for Aleutian Island (Brown) King Crab landings ceased after October 31, 2016. The Western Aleutian Islands red king crab and Pribilof Islands king crab fisheries have remained closed since the start of the loans.

Table 4. Fishery loan status of the BSAI King and Tanner Crab Fishing Capacity Reduction Program, December 31, 2020.

Crab Fishery	Original Loan Amount	Principal Balance	Interest Balance	Fee Rate
Bering Sea Snow Crab and Tanner Crab	\$66,410,767.20	\$51,307,861.21	\$1,278,486.50	5.0 %
Bristol Bay Red King Crab	\$17,129,957.23	\$3,824,633.92	\$18,267.49	2.5 %
Aleutian Islands Golden (Brown) King Crab	\$6,380,837.19	\$0	\$0	n/a
St. Matthew Island Blue King Crab	\$5,668,991.10	\$5,668,991.10	\$4,747,915.07	5.0 %
Pribilof Islands Red and Blue King Crab	\$1,571,216.35	\$1,571,216.35	\$1,642,416.52	5.0 %
Aleutian Islands Red King Crab	\$237,588.04	\$237,588.04	\$248,354.42	5.0 %
Total	\$97,399,357.11	\$62,610,290.62	\$7,935,440.00	