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Crab Rationalization Program Cost Recovery for Fishing Year 2012/13



Loan Update

A federal loan program to assist captains and crew in the purchase of quota share (QS) was implemented for the Crab Rationalization Program (CR Program) in 2011. On May 5, 2010, NOAA's National Marine Fisheries Service (NOAA Fisheries) published a proposed rule (75 FR 24549) for the Fisheries Finance Program¹ that would allow NOAA Fisheries to implement a loan program for the Bering Sea and Aleutian Islands (BSAI) crab fisheries. Effective January 18, 2011, the final rule (75 FR 78619, December 16, 2010) granted captains and crew the opportunity to purchase crab QS for the 2011/12 crab fishing year. Although the Fisheries Finance Program received FY11 loan authority sufficient to begin lending for BSAI crab QS for fiscal year 2011, approval from the Office of Management and Budget (OMB) to use that authority was not forthcoming until March 29, 2011, too late to process loans for that fiscal year. The first approval letter for crab QS was issued on July 5, 2011, at the start of the 2011/12 crab fishing year.

¹ The Fisheries Finance Program assists participants in Community Development Quota (CDQ) programs and in purchases of QS, IFQ permits, fishing vessels, and fish processing.

Fee Collection/Cost Recovery

Under the Magnuson-Stevens Fishery Conservation and Management Act (MSA), costs for management and enforcement of individual fishing quota (IFQ) and other limited access permit programs are recoverable from participants, up to a maximum of 3 percent of the ex-vessel value of the crab. MSA sections 304(d)(2)(A) and 313(j) prescribe the cost recovery framework, including the requirement for fee sharing with the State of Alaska. Actual costs recovered are only those “incremental costs” associated with management and enforcement of the Program. “Incremental costs” are costs directly due to rationalization.

By statute, CR Program fees must be shared equally by the harvesting and processing sectors; by regulation, the registered crab receivers (RCRs) assume the fee liability and must remit the fees to the Federal Government. NOAA Fisheries computes the annual fee percentage that applies each crab fishing year. Fees are owed based on the total value of crab landings in money, goods, or services. NOAA Fisheries sends fee statements to RCRs based on the RCRs’ reported landings for all “rationalized” crab and value as computed for fee collection purposes. For crab delivered raw for processing, each RCR’s fee liability is estimated by multiplying the annual fee percentage needed to recover costs (up to 3 percent) by the ex-vessel value of CR Program crab. Because catcher/processors participate in both the harvesting and processing sectors, 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.

Fees are due annually by July 31 for the prior crab fishing year. Fees may be paid by check, money order, or by credit card. Penalties, interest, and administrative charges are added if an RCR becomes delinquent in payments. NOAA Fisheries cannot issue any annual crab permits to an RCR that owes unpaid fees. During the 2012/13 fishing year, no billing occurred because fee revenues remained to cover projected actual costs for the crab-fishing year.

The most recent estimated value of the combined CR Program fishery is \$231,535,032. This value derives from price information submitted by the RCRs. Regardless of the fee liability computations, each RCR is responsible for and pays fees based on actual value given for all crab received under the Program in dollars, goods, and services.

Funds collected under the CR Program vary yearly because annual ex-vessel value and costs fluctuate. This was in fact the case during 2005/06 when first year start-up costs exceeded the fee amount collected. (Administrative regulations for fees and cost recovery are at 50 CFR § 680.44.) In contrast, during the 2012/13 crab fishing year, no billing occurred because fee revenues remained to cover projected actual costs for the crab fishing year. The fee percentage for 2012/13 was set at zero due to the revenue surplus, which exceeded actual management, data collection, and enforcement costs for the 2011/12 crab fishing year (77 FR 44216, July 27, 2012). The 2011/12 fee percentage was 1.23.

Using the fee percentage formula, the estimated percentage of costs to value for the 2012/2013 crab fishery was 0.69 percent. Therefore, NOAA Fisheries determined the fee percentage will be 0.69 percent for the 2013/2014 crab fishing year. For more information on how NOAA Fisheries determines the fee percentage, please see 50 CFR 680.44(c)(2).

As shown in Table 1, the 2012/13 management and enforcement costs (in U.S. dollars) for the crab fisheries totaled \$3,516,593. This is \$152,151 more than the previous fishing year. Personnel/Overhead and Contracts/Training were among the higher Program costs. However, the greatest differences between last year's spending and this year's spending were due to Rent/Utilities (20 percent increase) and Other (113 percent increase) costs.

Table 1 Costs associated with Crab Rationalization Program management and enforcement, April 8, 2012, to April 20, 2013

Cost Category	RAM	SF	OMD	ISD	RA/ Appeals	OLE	ADF&G	AFSC	FSD	PSMFC	Total
Personnel ^a / Overhead	204,127	180,001	50,610	96,388	50,999	841,062	388,069	84,527	15,354	48,000	1,959,137
Travel ^b	928	12,396	958	3,340	3,306	22,541	68,637	1,521	0	4,500	118,127
Transportation ^c	0	0	0	0	0	22	0	0	0	0	22
Printing	608	0	5	0	0	0	0	0	0	0	613
Contracts/ Training	121,025	59,000	790	17,958	0	210,633	477,850	8,877	0	75,000	971,133
Supplies	2,058	76	1,027	0	0	5,657	15,981	0	0	6,000	30,799
Equipment	0	0	0	0	0	0	0	0	0	0	0
Rent/Utilities ^d	25,199	24,896	5,295	9,452	4,981	83,564	0	0	0	0	153,387
Other	3,600	1,770	0	0	0	0	133,113	128,392	0	16,500 ^e	283,375
Percentage of costs (%)	10.17	7.91	1.67	3.62	1.69	33.09	30.82	6.35	0.44	4.27	100
Total Costs ^f	357,545	278,139	58,685	127,138	59,286	1,163,479	1,083,650	223,317	15,354	150,000	3,516,593

^a Personnel Costs include cost of living allowances (COLA) and all benefits.

^b Travel includes per diem payments.

^c Transportation includes shipment of items.

^d Rent/Utilities includes actual cost of space and utilities and an appropriate share of common space and services.

^e PSMFC costs are included in the SF "other" category as a grant.

^f Values may vary slightly from other published data due to rounding.

Table 2 shows cost recovery data for the first eight Program years. The projected percentage of ex-vessel value necessary to recover costs was limited by statute and, therefore, not all costs were recoverable. However, during the third, fifth, and seventh years of the Program, this was not the case.

Table 2 Program cost recovery^a over time

Program Cost Category	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06
Fishery Value ^b	231,535,032	286,752,062	261,747,837	147,188,073	212,412,973	202,719,417	119,652,929	138,888,840
Total Program Costs	3,516,592	3,364,442	3,210,189	3,927,062	3,195,760	2,133,758	3,939,841	4,270,881
Amount Collected ^c	0	3,720,998	7,434,979	0	2,028,589	6,511,395	4,060,458 ^d	4,166,665
Annual % of value billed ^c	0	1.23	2.67	0	1.05	3 ^e	3 ^e	3 ^e
RCR permit holders w/billable landings	20	20	21	18	22	20	22	17
IFQ permit holders w/billable landings ^f	0 ^g	14	11	14	27	31	47	100

^a Fee liability is calculated two ways: RCRs multiply fee percentage by CR crab ex-vessel value. catcher/processors pay a fee percentage multiplied by the calculated standard price. Standard prices are calculated during the last quarter of each crab fishing year; prices reflect, as closely as possible, the current crab fishing year's average shoreside processor price by fishery and species, and any variations in reported shoreside ex-vessel values of CR crab. This value is expressed in U.S. dollars and in raw CR crab pounds. Fee liability is calculated from the CR crab value reported for crab delivered raw.

^b 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 tablet, the value amount is rounded.

^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 Previously reported fee collection data for FY07 have been updated.

^e These percentages billed were limited by the MSA statutory three percent cap of the ex-vessel value of the fishery in any Program year.

^f RCR permit holders collect fees on behalf of IFQ permit holders; no IFQ permit holders are billed directly.

^g NOAA Fisheries was unable to breakdown the number of billable landings by RCR vs IFQ permit holders for 2012/13. The total billable landings for 2012/13 was 20.

To date (2006/07 to 2012/13), 98 percent of persons billed have paid their fee liability, while less than 2 percent remains unpaid due to bankruptcy. For all Program years, collected crab rationalization funds total \$27,923,461.

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

Under section 312(b) of the MSA (<http://www.nmfs.noaa.gov/sfa/magact/mag3a.html>), NOAA Fisheries 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 MSA and allows NOAA Fisheries to obtain funding through specific appropriations from industry fee systems and public, private, or nonprofit sources. Under the authority of section 312(c), on January 12, 2004, regulations implementing the BSAI King and Tanner Crab Fishing Capacity Reduction Program were effective (68 FR 69331), and by January 19, 2005, funding was appropriated. Under administration of the Financial Services Division (FSD), NOAA Fisheries 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 crab buyback program, the FSD administers an industry-funded, 30-year loan of \$97,399,357.00 at a fixed rate of 6.54 percent. NOAA Fisheries may withhold annual crab permits if buyback fees are outstanding.

Table 3 shows amounts paid back in “subloans” allocated to each fishery by the BSAI King and Tanner Crab Fishing Capacity Reduction Program. “Initial Loan Amount” and “Current Loan Amount” reflect the principal balance of the note. Current loan balances are as of August 28, 2013. The St. Matthew Island blue king crab fishery (SMB) opened for the first time since the inception of the Capacity Reduction Program on October 15, 2009; The Western Aleutian Islands red king crab (WAI) and Pribilof Island king crab fisheries (PIK) have remained closed since the start of the loans. The eastern and western Bering Sea Tanner crab fisheries (EBT and WBT, respectively) were closed in 2010/11. By late August, fishermen had reduced the original loan amount (97.4 million) to \$91,602,160, a slight increase from the previous season’s total, \$89.9 million. The “Percent Owing” and “Percent Paid” data may be different from the original data due to rounding.

Table 3 Fishery loan status of the BSAI King and Tanner Crab Fishing Capacity Reduction Program, August 28, 2013

Crab Fishery	Initial Loan Amount	Current Loan Amount	Percent Paid	Percent Owing	First Payment
Bristol Bay Red King Crab (BBR)	\$17,129,957	11,509,007	32.8	67.2	November 1, 2005
Bering Sea Snow Crab (BSS)	66,410,767	66,112,692	0.4	99.6	November 8, 2005
Eastern Aleutian Golden King Crab (EAG) and Tanner Crab	6,380,837	3,366,484	47.2	52.8	November 2, 2005
Western Aleutian Islands Red King Crab (WAI)	237,588	371,853	0.0	156.5	No payment
Pribilof Island Red/Blue King Crab (PIK)	1,571,216	2,459,139	0.0	156.5	No payment
St. Matthew Blue King Crab (SMB)	5,668,991	7,782,985	0.0	137.3	October 27, 2009
Total	\$97,399,356	\$91,602,160	6	94.0	November 1, 2005

