PREPARED FOR:
COASTAL VILLAGES REGION FUND

COMMUNITY DEVELOPMENT QUOTA PROGRAM DECENNIAL REVIEW REPORT:

COASTAL VILLAGES REGION FUND

INTRODUCTION

The Magnuson-Stevens Fishery Conservation and Management Act of 2006 (hereafter Magnuson-Stevens Act) is the primary federal law governing marine fisheries management in the United States. Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains intact – to promote and protect the domestic fishing industry's harvest of coastal fisheries. Woven throughout the Magnuson-Stevens Act are objectives related to fishery conservation, habitat protection, enforcement of international agreements, maintaining coastal community viability, and achieving optimum yield from each fishery. These objectives are achieved through the establishment of regional fishery management councils and the development of fishery management plans.

Of noteworthy importance for Alaska, the North Pacific Fishery Management Council (NPFMC) established the Western Alaska Community Development Quota (CDQ) Program during 1992, which was later incorporated into the Magnuson-Stevens Act (1996). The CDQ Program was established to ensure Bering Sea fisheries provide economic opportunity for Bering Sea and Aleutian Island communities – including some of the nation's most geographically-isolated and economically-depressed villages. Prior to the passage of the CDQ Program, villages were unable to meaningfully participate in the large-scale commercial seafood industry for a variety of reasons including lack of industry infrastructure, limited workforce skills, and limited financial resources for investing in fishing enterprises. In short, the CDQ Program was established to fulfill the following objectives for 65 Western Alaska villages:

1. Provide opportunity to participate and invest in Bering Sea and Aleutian Island area fisheries;
2. Support economic development;
3. Alleviate poverty and provide economic and social benefits for residents; and
4. Achieve sustainable and diversified local economies.

Fulfilling CDQ Program objectives requires organizational capacity, human capital, and financial investment. The CDQ Program established six regional non-profit entities (hereafter CDQ groups), encompassing 65

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villages on the Bering Sea coast, and provided exclusive allocations of harvestable fish stocks to each group, including pollock, crab, and halibut. Unlike many federal government programs which provide direct financial support or social service assistance, the CDQ Program established regionally-driven organizations, provided a high-value harvestable commodity, required local leadership, and directed proceeds to be used for the economic and social benefit of member villages. CDQ groups use fisheries-generated revenue to promote village economic opportunity by creating jobs, building infrastructure, providing social services, and encouraging workforce development through training and scholarships. For over 20 years, the CDQ Program has provided economic opportunity in some of the nation's most isolated and economically-depressed villages.

The Magnuson-Stevens Act also requires a periodic review of CDQ groups to ensure they are fulfilling program objectives. During calendar year 2012, and every ten years thereafter, the State of Alaska is charged with evaluating CDQ group performance. This decennial review includes an evaluation of longitudinal change across four Magnuson-Stevens Act criteria encompassing socioeconomic characteristics, financial performance, workforce development, and implementation of annual harvest plans. This report provides the State of Alaska's overall determination of Coastal Villages Region Fund (CVRF) performance, further discusses performance relative to the required criteria, and provides recommendations for reporting future performance.

DECENNIAL REVIEW

During August 2012, the State of Alaska adopted regulations, consistent with the Magnuson-Stevens Act, implementing the state's role in the decennial review. State regulations outline an evaluation process that places substantial burden on the CDQ group for self-evaluation and limits the criteria by which CDQ groups are evaluated. Specifically, CDQ groups are charged with using observable and specific data to measure performance across four primary criteria, required by the Magnuson-Stevens Act. Furthermore, the Magnuson-Stevens Act requires each CDQ group weigh the criteria, for use by the State of Alaska during the evaluation process, in order to reach a final determination of overall organizational performance. To fulfill decennial review obligations, CDQ groups submit decennial review reports summarizing performance across the four criteria and provide needed reference materials to support findings, including financial statements, community development plans, and other supplemental materials.

The State of Alaska fulfilled its decennial review obligation via an interdisciplinary CDQ evaluation team comprised of six officials from the Departments of Fish and Game, Labor and Workforce and Development, and Commerce, Community, and Economic Development. Using CDQ group data, performance standards, relative weighting of criteria, and analysis, the state's role in evaluating CDQ group performance is limited to determining whether the entity:

1. Maintained or improved its overall performance with respect to the criteria; or
2. Has not maintained or improved its overall performance with respect to the criteria.

CRITERION ONE – SOCIOECONOMIC CONDITIONS

Data Sources and Standard

CVRF provided data sources and standards used to evaluate performance regarding population, poverty, and economic development in its member villages. Data sources included: US Census Bureau's decennial population census data, US Census Bureau's American Community Survey poverty and income data, and employment, wage, and population data from the Alaska Department of Labor and Workforce Development. The standard used to measure performance in regards to improving member village socioeconomic conditions includes increasing population while decreasing poverty and increasing income, wages, and employment.

Criterion One
✓ Changes during the preceding ten-year period in population, poverty level, and economic development in the entity's member villages.

Weight
✓ 25 Percent

CVRF Finding
✓ Met or Exceeded

State of Alaska Determination
✓ Maintained or Improved

Evaluation

CVRF's population goal was to increase or maintain total regional population. Total regional population grew by 715 residents in 20 member communities, despite falling in several of the individual communities. Due to total regional growth, population was determined to have maintained or improved.

CVRF's poverty goal was to reduce the regional poverty rate. CVRF may or may not have succeeded in reducing the poverty rate according to US Census Bureau data. Due to inadequate sample sizes and methods, the US Census Bureau's American Community Survey has yielded socioeconomic data with significant margins of error. In the case of CVRF communities, error rates are high enough that it is not possible to determine, with reasonable accuracy, whether poverty rates increased or decreased during this time period.

To evaluate economic development, CVRF considered median household income, per capita income, total wages, and total employment. All of the aforementioned indicators increased during their respective evaluation periods – 1997 to 2006-2010 for median household and per capita income and 2007 to 2010 for total wages and employment. Median household income increased by $9,362 and per capita income increased by $2,596 over the considered time period. Total wages increased by $8,150,041 and the CVRF region added 246 new jobs between 2007 and 2010. Date ranges vary due to data availability and comparability challenges.

Determination

Evaluation of criterion one considers population, poverty, and economic development as a whole. The goals of CVRF for criterion one include increasing population while decreasing poverty and increasing income, wages, and employment. Despite being unable to reliably quantify poverty data, all other population and economic measurements indicate CVRF has maintained or improved its performance relative to stated criterion one performance standards.

CRITERION TWO – FINANCIAL PERFORMANCE

Data Sources and Standards

CVRF provided data sources used to evaluate performance, articulated standards by which to measure performance, and described methods to reach a final determination. Data sources originate directly from CVRF's audited financial statements and are sufficient to determine overall financial performance, including fishery and non-fishery investments. Standards used to measure overall financial performance include longitudinal change in fishery and non-fishery investments, total net assets, change in net assets, return on net assets, and long-term debt to net assets ratio.

Criterion Two
✓ Overall financial performance of the entity, including fishery and non-fishery investments by the entity.

Weight
✓ 25 Percent

CVRF Finding
✓ Met or Exceeded

State of Alaska Determination
✓ Maintained or Improved

Evaluation

In total, CVRF's assets have nearly tripled in five years, from $111 million in 2006 to nearly $304 million in 2010. This significant increase is largely due to CVRF's conversion of investment in American Seafoods to four wholly-owned Bering Sea fishing vessels and their associated fishing rights. With the addition of these four vessels to four previously purchased crab vessels, CVRF now controls, catches, processes, and sells its own pollock, crab, and cod. Notably, CVRF is the first CDQ group to own and operate its own fleet of Bering Sea fishing vessels, bringing management autonomy and additional benefit to member communities.

One-hundred percent of CVRF's investments made during the 2006 to 2010 review period are fisheries-related or in compliance with past practices, as provided by Western Alaska Community Development Association (WACDA) Resolution 2012-01. Although CVRF spent more on projects and programs during 2007, 2008, and 2009, over the course of the full review period, CVRF still generated over $164 million in net income, yielding a 38 percent return on revenue. From 2006 to 2010, CVRF's net income is more than half of total assets, yielding a 54 percent return on assets. From 2006 to 2010, CVRF's adjusted ratio of long-term debt to net assets ranges from zero percent (2006) to 18 percent (2009).

Over the review period, CVRF's net assets have grown by over $164 million, more than doubling between 2006 and 2010. CVRF's financial management has allowed for growth in net assets from $86 million (2006) to nearly $249 million (2010). Notably, CVRF's strong asset base provided opportunity to increase its ownership in the Bering Sea fishing vessel fleet, a primary objective of the CDQ Program.

Determination

Evaluation of criterion two, determining overall financial performance, requires consideration of fishery and non-fishery investments. Given the performance standards employed, including total investments, total net assets, change in net assets, return on net assets, and debt to net assets ratio, it is well-supported CVRF has maintained or improved its performance relative to criterion two.

CRITERION THREE – WORKFORCE DEVELOPMENT

Data Sources and Standard

CVRF provided data sources used to evaluate its performance and standards by which it determined it achieved the goals of the workforce development criterion. Data sources originate directly from CVRF records and are sufficient to determine it has achieved the goal of criterion three – to provide employment, scholarships, and training for the 2006 to 2010 review period.

Criterion Three
✓ Employment, scholarships, and training supported by the entity

Weight
✓ 25 Percent

CVRF Finding
✓ Met or Exceeded

State of Alaska Determination
✓ Maintained or Improved

Evaluation

Over the review period, CVRF provided employment, scholarships, and training to individuals in member communities. Employment – direct, indirect, and paid fishermen – increased during the review period from 1,056 jobs in 2006 to 1,342 jobs in 2010, and wages for these jobs increased by over $13 million during the same time period. More than half of the total jobs – direct and indirect – supported by CVRF went to member community residents. Notably, 65 percent of all jobs were held by member community residents during 2010.

The number of people receiving CVRF scholarships over the review period totaled 446 and was valued at almost $2 million. The number of scholarships increased over the course of the review period from 72 recipients in 2006 to 104 in 2010, but expenditures decreased by approximately $47,000. The average scholarship amount per recipient was $4,398 over the review period.

CVRF provided a total of 152 individual training opportunities over the course of the review period. The training program was restructured in 2006 and subsequently did not grant any direct funding. Expenditures from 2007 to 2010 totaled over $500,000. Included in CVRF's training opportunities are a portion of the costs to train four individuals in a Seattle shipyard. Training opportunities and accompanying expenditures grew over the review period from 26 individual opportunities at $81,669 in 2007 to 60 individual opportunities at $85,857 in 2010.

Determination

Evaluation of criterion three requires consideration of employment, scholarships, and training. As performance for each of the three indicators improved over the review period, it is evident CVRF has maintained or improved employment, scholarships, and training opportunities for the region's member communities and residents.

CRITERION FOUR – COMMUNITY DEVELOPMENT PLAN

Data Sources and Standard

The goal of the community development plan (CDP) is clearly stated: to maximize harvest of CDQ allocations while minimizing bycatch and protecting the long-term viability of the resource. CVRF also shifted its goals starting in 2007, to harvest as much quota with vessels that are wholly-owned by CVRF. CVRF provided data sources used for this assessment and the standards by which it determined whether it achieved CDP goals. Provided data sources include data from the National Marine Fisheries Service catch accounting database, SeaState, CVRF harvest records, and CVRF 2006 – 2010 CDPs, all of which are appropriate for evaluating performance.

Criterion Four
✓ Achieving the goals of the entity's community development plan

Weight
✓ 25 Percent

CVRF Finding
✓ Met or Exceeded

State of Alaska Determination
✓ Maintained or Improved

Evaluation

CVRF met its goals in the Bering Sea and Aleutian Island area fisheries by maximizing harvest of its primary groundfish species, crab, and halibut, while not exceeding its allocations of target species or prohibited species quota. It also purchased several vessels since 2007, including three vessels used to harvest crab, one pollock trawl catcher processor, and three Pacific cod freezer longliners. Use of these vessels to harvest its primary allocations directly serves to achieve the goals of the CDP and has increased returns to CVRF, and thus, its member communities.

CVRF maintained a high harvest rate (90% or higher) for its primary groundfish species (i.e., pollock, Pacific cod, and Atka mackerel), with lower harvest rates in the rockfish and target flatfish species. However, over the review period, harvest rates in these lesser value species are still generally maintained, recognizing the annual variability in catch limits and limitations in bycatch species necessary to prosecute the target fisheries.

Performance in crab harvests was generally strong throughout the review period, with 100 percent harvest rates in Bristol Bay red king crab, Bering Sea *C. opilio* crab, and Aleutian Islands golden king crab. CVRF clearly showed it maintained its ability to prosecute these fisheries over the review period. Lower rates were realized in Bering Sea *C. bairdi* and Saint Matthew blue king crab fisheries, the latter of which was closed from 2006 through 2008 under a rebuilding plan. However, CVRF improved its ability to prosecute both of these fisheries in the latter part of the review period, recognizing there was no fishery for Bering Sea *C. bairdi* in 2010.

Residents of CVRF member communities harvest their halibut allocation in both Area 4D and 4E. CVRF has proven it has maintained or improved its performance relative to halibut, during the review period. The entire halibut allocation in Area 4E has consistently been harvested, and improvements have been made in Area 4D to allow the average harvest rate to exceed 93 percent.

WACDA included a requirement that CDPs include the CDQ entity's bycatch avoidance plans with respect to the harvest of its share of fishery resources (CDQ Panel Resolution 2010 – 07). In its CDP, CVRF provides the basis for its bycatch avoidance plan: daily catch monitoring and bycatch rate 'triggers' that, when reached, affect operations (e.g., vessels must move to a different area, adjust gear, or stop fishing).

CVRF appeared to evaluate its bycatch performance based on whether it stayed within its prohibited species quota (PSQ) during the review period. Overall, CVRF's bycatch equated to a range of two percent to 21 percent of its individual crab PSQ allocations; 58 percent of its halibut PSQ allocation; and 55 percent of its Chinook salmon PSQ allocation. CVRF also provided data relative to its bycatch of non-Chinook (i.e., chum) salmon (17%). The only PSQ allocation that was exceeded during the review period was Chinook salmon in 2007, a very high year of Chinook salmon bycatch in both the CDQ and non-CDQ Bering Sea pollock fisheries.

Determination

Given the performance standards, CVRF maintained or improved its performance relative to criterion four.

FINAL DETERMINATION

CVRF submitted extensive data, explicitly stated performance standards for each criterion, and provided lengthy analysis and discussion regarding whether performance standards were met. CVRF's improved performance, across all four criteria, is well-documented, discussed, and supported by specific and observable data. CVRF experienced positive growth in nearly all decennial review measurement items including socioeconomic conditions, financial performance, workforce development, and implementation of community development plans. Consequently, the State of Alaska evaluation team concurs with CVRF's finding that overall performance has maintained or improved for the 2006 to 2010 review period.

Performance Summary

Criteria	Description	Weight	CVRF Finding	State of Alaska Determination
1	Socioeconomic Conditions	25%	Met or Exceeded	Maintained or Improved
2	Financial Performance	25%	Met or Exceeded	Maintained or Improved
3	Workforce Development	25%	Met or Exceeded	Maintained or Improved
4	Community Development Plan	25%	Met or Exceeded	Maintained or Improved
Overall		100%	Met or Exceeded	Maintained or Improved

FUTURE RECOMMENDATIONS

CVRF's *2006 – 2010 Decennial Review Report* included comprehensive data, articulated performance standards, and provided relevant analysis and discussion regarding performance standards. In addition to commonly-used data to measure performance, CVRF also routinely included alternative data and additional discussion to provide a more comprehensive perspective of overall performance. Most importantly, CVRF's report effectively summarized and supported CVRF's performance findings across all required criteria. Due to the high-quality and comprehensive nature of the report, the State of Alaska's evaluation team was able to assess overall performance for the 2006 to 2010 review period and reach a final determination.

For future review periods and associated decennial review reports, it is recommended CVRF accommodate the following recommendation:

- ✓ Implement a performance evaluation process that is consistent with State of Alaska regulations (6 AAC 93.160) to conclude analysis of criteria with a determination whether the CDQ group: 1) maintained or improved its overall performance with respect to the criteria; or 2) has not maintained or improved its overall performance with respect to the criteria.