PREPARED FOR:
NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

# COMMUNITY DEVELOPMENT QUOTA PROGRAM DECENNIAL REVIEW REPORT:

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

## 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 Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains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

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 Norton Sound Economic Development Corporation's (NSEDC) 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*

NSEDC 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 and wage data from the Alaska Department of Labor and Workforce Development. The standard used to measure performance in regards to improving socioeconomic conditions in member villages 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
✓ 5 Percent

NSEDC Finding
✓ Improved

State of Alaska Determination
✓ Maintained or Improved

*Evaluation*

On the issue of population, NSEDC's goal was to increase or maintain population. Total population for the Norton Sound Region grew by 243 residents in 15 member communities, despite falling in several of the individual communities. Due to total regional growth, population was determined by NSEDC to have maintained or improved.

NSEDC's goal in terms of poverty is a reduction in the total poverty rate. NSEDC 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 Norton Sound, error rates are high enough that it is not possible to determine, with reasonable accuracy, whether poverty rates increased or decreased during this period of time. For this reason, NSEDC gives very little weight to poverty data and analysis.

To evaluate economic development, NSEDC 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 $6,754 per household and per capita income increased by $5,324 per person over the considered time period. Total wages increased by $10,769,235 and the NSEDC area added 177 new jobs between 2007 and 2010.

*Determination*

Evaluation of criterion one considers population, poverty and economic development as a whole. The goals of NSEDC 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 NSEDC has maintained or improved its performance relative to the performance standards it set out for criterion one.

## CRITERION THREE – WORKFORCE DEVELOPMENT

*Data Sources and Standard*

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

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

Weight
✓ 33 Percent

NSEDC Finding
✓ Improved

State of Alaska Determination
✓ Maintained or Improved

*Evaluation*

Over the review period, NSEDC provided employment, scholarships, and training to individuals in member communities. Employment – direct and indirect – increased during the review period from 387 jobs in 2006 to 630 jobs in 2010, and total wages for these jobs increased by nearly $3 million. Most of the jobs supported by NSEDC went to CDQ residents in the region – 95 percent in 2010.

The number of scholarships offered by NSEDC over the review period totaled 1,050 with a total value of $2.5 million. The number of scholarships increased over the course of the review period from 178 scholarships in 2006 to 255 in 2010, and expenditures nearly doubled. Many recipients received more than one scholarship per year.

In total, NSEDC provided 359 different individual training opportunities over the course of the review period. Training-related expenditures from 2006 to 2010 totaled over $500,000. Training opportunities and accompanying expenditures grew over the years from 60 individual opportunities at $112,614 in 2006 to 125 individual opportunities and $118,770 in expenditures in 2010.

*Determination*

Evaluation of criterion three requires the consideration of employment, scholarships and training. As performance for each of the three indicators improved over the review period, it is evident given the performance standards set out, NSEDC has maintained or improved employment, increased scholarships, and increased training opportunities for CDQ region member communities.

## CRITERION FOUR – COMMUNITY DEVELOPMENT PLAN

*Data Sources and Standard*

NSEDC provided data sources used for this assessment and standards by which it determined whether it achieved the goals of the community development plans (CDPs). The data sources provided, which include annual catch reports from National Marine Fisheries Service's catch accounting database and NSEDC's 2006 – 2010 CDPs, are appropriate for evaluating performance. The goals of the CDP are to maximize NSEDC's opportunities in the Bering Sea and Aleutian Islands (BSAI) fisheries by maximizing its harvest rates of CDQ groundfish, crab, and halibut, while not exceeding its allocations of prohibited species quota (PSQ).

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

Weight
✓ 30 Percent

NSEDC Finding
✓ Improved

State of Alaska Determination
✓ Maintained or Improved

*Evaluation*

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

Performance in crab harvests was very strong throughout the review period, with annual harvest rates varying between 92 percent and 100 percent with an average of 95 percent. NSEDC clearly illustrates it maintained or improved its ability to prosecute its combined crab allocations over the review period. Similarly, residents of NSEDC's member communities have harvested almost its entire annual halibut allocation, without exceeding the annual allocations, during the review period. From a harvest rate of 99.8 percent in 2006 to a rate of 99.4 percent in 2010, NSEDC has met the goal of the CDP with respect to halibut.

The Western Alaska Community Development Association (WACDA) included a requirement that CDPs include bycatch avoidance plans with respect to the harvest of its share of fishery resources (CDQ Panel Resolution 2010 – 07). NSEDC evaluated its bycatch performance based on whether it stayed within its PSQ allocations during the review period. Overall, NSEDC's bycatch equated to a range of one to three percent of its individual crab PSQ allocations, 66 percent of its halibut PSQ allocation, and 40 percent of its Chinook salmon PSQ allocation. NSEDC did not evaluate its performance relative to non-Chinook (chum) salmon, as a quota only exists for bycatch of chum salmon within a designated area, in which they had no chum salmon bycatch. Total chum salmon bycatch data are provided, however, performance relative to chum cannot be measured using the same metrics as other PSQ species, as there is no overall chum salmon PSQ allocation.

*Determination*

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

## FINAL DETERMINATION

NSEDC submitted extensive data, explicitly stated performance standards for each criteria, and provided lengthy analysis and discussion regarding whether performance standards were met. NSEDC's improved performance, across all four criteria, is well-documented, discussed, and supported by specific and observable data. NSEDC 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 NSEDC's finding that overall performance has maintained or improved for the 2006 to 2010 review period.

**Performance Summary**

| Criteria | Description | Weight | NSEDC Finding | State of Alaska Determination |
|---|---|---|---|---|
| 1 | Socioeconomic Conditions | 5% | Improved | Maintained or Improved |
| 2 | Financial Performance | 30% | Improved | Maintained or Improved |
| 3 | Workforce Development | 35% | Improved | Maintained or Improved |
| 4 | Community Development Plan | 30% | Improved | Maintained or Improved |
| Overall | | 100% | Improved | Maintained or Improved |

## FUTURE RECOMMENDATIONS

NSEDC's *2006 – 2010 Decennial Review Report* included comprehensive data, articulated performance standards, and provided relevant analysis and discussion regarding performance standards. Most importantly, the report effectively summarized and supported NSEDC'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. Furthermore, the evaluation team has no further recommendations regarding data, methods, or presentation of analysis for the next review period, 2010 to 2020.