

IFQ Halibut and Sablefish Cost Recovery Report

Fishing Year 2022



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IFQ Halibut and Sablefish Cost Recovery for Fishing Year 2022

Cost Recovery

Section 304(d)(2)(A) of the Magnuson–Stevens Fishery Conservation and Management Act (MSA), enacted in late 1996, obligates the National Marine Fisheries Service (NMFS) to recover the actual costs of management, data collection, and enforcement of the Individual Fisheries Quota (IFQ) Program for the fixed-gear commercial fisheries for Pacific halibut and sablefish in waters in and off Alaska. The law provides that the fee be paid by IFQ fishermen and that the fee shall be based on the ex-vessel value of fish landed under the IFQ Program. The MSA limits the fee liability for IFQ fishermen to 3.0 percent of the annual ex-vessel value in dollars, goods, and services.

The funds collected from cost recovery are deposited in the Limited Access System Administrative Fund (LASAF). Funds in this account are available only to the Secretary of Commerce and must be spent on IFQ Program management, data collection, and enforcement. This report reviews the cost recovery requirements and responsibilities of fishery participants and of NMFS. It describes how the fee is determined, what contributed to IFQ Program costs, and compares cost recovery fees over time.

Requirements and Responsibilities

For IFQ Permit Holders

IFQ permit holders are responsible for fees owed for all landings recorded on their permit(s). This includes IFQ pounds from their own quota share (QS) and from QS that was leased from another QS holder. It also includes landings made by hired skippers. IFQ permit holders are also responsible for fees associated with halibut that were landed using their IFQ in the guided angler fish (GAF) program by persons who hold a Charter Halibut Permit issued by NMFS.

IFQ permit holders must pay their fee no later than January 31 of the year after the calendar year of their landings. There are two options for calculating the fee liability: permit holders may make their payment based upon NMFS' calculations, which are based on standard ex-vessel prices and values; or they can pay an amount based in whole or in part upon their own records of actual ex-vessel value from the sale of their IFQ halibut or sablefish. If they choose the second option, permit holders must be prepared to demonstrate, with written documentation, the actual value they received from their IFQ landings.

Penalties: Failure to pay may result in NMFS action against the permit holder's QS holdings and monetary charges, fines, and/or permit sanctions. If a permit holder fails to pay by January 31, their QS/IFQ automatically becomes nontransferable until the fee liability is satisfied. In addition, the permit holder is prohibited from receiving QS or IFQ by transfer. Before penalties are issued, NMFS Operations and Management Division (OMD) delivers a letter of Initial Administrative Determination (IAD) outlining the permit holder's right to an appeal.

For IFQ Registered Buyers

Registered Buyers acting as shoreside processors must report the monetary value and amount of purchased pounds of IFQ halibut and sablefish by species, month, and port. This information is used to calculate standard ex-vessel prices, and to estimate the overall ex-vessel value of the

fisheries. Reports are due to NMFS by October 15 each year and can be submitted online or in paper form.

For NMFS

At the end of each IFQ Program fishing season, NMFS is responsible for these actions:

- ✓ compiling a list of all IFQ Program landings by species, month, and port or port group;
- ✓ using shoreside IFQ Registered Buyer data to calculate a set of standard ex-vessel prices for IFQ fish landed;
- ✓ applying the appropriate standard ex-vessel price to each landing, creating a standard ex-vessel value for the landing;
- ✓ summing the total standard ex-vessel values of all landings to derive the total ex-vessel value (total fishery value) of the year's IFQ fisheries;
- ✓ compiling all direct management, data collection, and enforcement costs (direct program costs) attributable to the IFQ Program;
- ✓ using direct program costs and total fishery value to calculate the annual fee percentage;
- ✓ applying the fee percentage to the standard ex-vessel value of a landing on an IFQ Program permit to determine the fee owed for each landing;
- ✓ summing the fees owed for all landings on all IFQ Program permits held by each permit holder. This final figure is the *annual fee* each permit holder owes; and
- ✓ mailing IFQ permit holders a summary that itemizes their landings and shows their calculated fee.

The 2022 IFQ Program Cost Recovery Fee Percentage

The 2022 IFQ fee percentage was 1.9 percent ([87 FR 79869, December 28, 2022](#)). Therefore, under cost recovery regulations, IFQ permit holders who used their permits to make landings of IFQ halibut or IFQ sablefish during the 2022 IFQ Program fishery, or who leased halibut IFQ that was landed as GAF during the 2022 charter halibut fishery, are obligated to pay 1.9 percent of the total ex-vessel value from the sale of their IFQ Program fish. The fee percentage is calculated from two sources:

- The total fishery value of the IFQ Program fisheries for 2022; and
- The direct program costs for the IFQ Program, as compiled from actual expenditures during Federal fiscal year (FY) 2022.

These sources are discussed below.

Total value of the IFQ Program fisheries

As noted above, the total fishery value is determined from ex-vessel prices that are applied to the pounds of IFQ fish landed. To account for price variability, standard ex-vessel prices are weighted averages, calculated for each species, port of landing, and month.

Direct Program Costs for the IFQ Program

Direct program costs are expenses necessary to manage, collect data from, and enforce the IFQ Program. The costs considered are incremental: they would not have been incurred but for the IFQ Program. Cost recovery fees do not increase agency budgets or expenditures. The fee offsets funds that would otherwise have been appropriated, except International Pacific Halibut Commission (IPHC) and Alaska Department of Fish and Game (ADF&G) expenditures, for which there is no direct appropriation. No budgetary advantage is gained by inflating costs.

To determine annual costs, each October NMFS, IPHC, and ADF&G each calculate their direct program costs for the IFQ Program. NMFS Alaska Region separates costs by operating units, including NMFS Restricted Access Management (RAM), NMFS Information Services Division (ISD), NMFS Office of Law Enforcement Alaska Division (OLE), NMFS Sustainable Fisheries (SFD), NMFS Financial Service Division (FSD), NMFS Operations and Management Division (OMD), and NMFS Regional Administrator Office/Office of Administrative Appeals (RAO/Appeals).

Examples of the types of tasks that were included under the 2022 IFQ direct program costs are:

- analysis and rulemaking activities; in particular, an amendment identifying several measures associated with IFQ pot gear and an exception to Adak residency requirements, and a temporary rule to remove limits on the maximum amount of halibut individual fishing quota (IFQ) that may be harvested by a vessel, commonly known as vessel use caps, in IFQ regulatory Areas 4A (Eastern Aleutian Islands), 4B (Central and Western Aleutian Islands), 4C (Central Bering Sea), and 4D (Eastern Bering Sea) (NMFS AKR).
- maintenance of the electronic reporting systems, including the catch accounting system (NMFS AKR, ADF&G)
- programming, web design, and maintenance of online applications (ISD)
- issuance of annual IFQ permits, registered buyer permits, hired master permits, and responding to questions about those permits (RAM)
- processing transfers of QS and/or IFQ. This includes medical transfers, transfers with right of survivorship, and Guided Angler Fish transfers. Processing transfers also includes responding to questions about the transfers (RAM)
- producing an annual transfer report (RAM)
- determining standard ex-vessel prices using value and volume reports submitted by IFQ Registered Buyers (RAM)
- fee determination and collection process (OMD)
- port sampling (IPHC), primarily personnel costs, but also includes travel and supplies
- processing North Pacific IFQ loan program applications (FSD)
- inspections, boardings, investigations, outreach and education, and compliance assistance is done by officers and agents. Additionally, a staff of data technicians are contracted annually for 7-day per week processing of required reports, such as Product Transfer, Prior Notice of Landing, IFQ Departure, IFQ Overage, and Vessel Activity Reports (OLE).

More details on particular cost components can be found on page 8.

Calculating the 2022 Fee Percentage

The annual fee percentage is calculated using the following formula:

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

NMFS divides the direct program cost (DPC) by the total fishery value (V) of the IFQ Program fisheries, and then multiplies by 100 to calculate a percentage. The result is the *fee percentage*. The calculation of the 2022 fee percentage is as follows:

Table 1. Formula for calculating the 2022 fee percentage

Factor	Value	Activity
Direct Program Cost (DPC)	\$4,223,487	DPC divide by V
Total Fishery Value (V)	\$216,771,279	multiply by 100
=	1.9	yields
Fee percentage for 2022 IFQ Program = 1.9 percent		

Summary of the Fee Percentages Overtime and Component Costs

Time Series of the Fee Percentage

The 2022 fee percentage is 1.9 percent, a decrease from the 2021 fee percentage. The total fishery value increased by 26.8 percent (\$45.8 million). Direct program costs decreased by 16.1 percent. The increase in fishery value was attributed to an increase in landings and the price per pound of both halibut and sablefish.

**Table 2. IFQ Program cost recovery fee percentage
2000 through 2022**

Year	Direct Program Costs	Combined IFQ Fisheries Value	Fee Percentage
2000	\$ 3,474,111	\$ 195,882,332	1.80%
2001	\$ 3,430,357	\$ 167,368,176	2.00%
2002	\$ 3,513,827	\$ 180,276,723	2.00%
2003	\$ 3,407,118	\$ 236,536,464	1.40%
2004	\$ 3,326,607	\$ 235,431,066	1.30%
2005	\$ 3,743,630	\$ 235,865,140	1.60%
2006	\$ 2,789,047	\$ 268,403,752	1.00%
2007	\$ 2,739,602	\$ 234,866,119	1.20%
2008	\$ 3,468,590	\$ 244,854,438	1.40%
2009	\$ 4,302,026	\$ 209,893,255	1.60%
2010	\$ 5,203,411	\$ 276,175,760	1.40%

**Table 2. IFQ Program cost recovery fee percentage
2000 through 2022**

Year	Direct Program Costs	Combined IFQ Fisheries Value	Fee Percentage
2011	\$ 5,065,748	\$ 318,077,388	1.60%
2012	\$ 4,896,232	\$ 246,067,580	2.10%
2013	\$ 4,920,803	\$ 177,746,256	2.80%
2014	\$ 4,530,572	\$ 176,983,090	2.60%
2015	\$ 5,593,603	\$ 183,896,787	3.04%*
2016	\$ 5,902,497	\$ 189,455,394	3.12%*
2017	\$ 4,659,869	\$ 208,013,345	2.20%
2018	\$ 4,573,407	\$ 161,400,657	2.80%
2019	\$ 4,488,393	\$ 150,034,178	3.00%
2020	\$ 4,414,604	\$ 103,127,774	4.28%*
2021	\$ 3,978,894	\$ 171,017,323	2.30%
2022	\$ 4,223,487	\$ 216,771,279	1.90%

*Actual fee liability percentage before the mandatory adjustment to the 3.0% maximum.

Components of Total Fishery Value

Figures 1 and 2 provide more detail on the individual components of values for the halibut and sablefish IFQ fisheries by illustrating harvests and ex-vessel prices since 2018. Standard ex-vessel prices that are indicated in the figures are weighted averages, taken across all ports over the entire season. Comparing 2021 to 2022, the increase in the combined IFQ fishery value was due to increased landings for both halibut and sablefish and rebounded prices for halibut.

For halibut (Figure 1), annual average ex-vessel price decreased between 2018 and 2020, however prices began to rebound again starting in 2021. Sablefish landings (Figure 2) have continued to increase since 2018, with 42.1 million pounds landed in 2022. Standard ex-vessel prices for sablefish have increased since 2020, but have remained lower in comparison to prices before 2019.

Figure 1. Total pounds landed of IFQ halibut and standard ex-vessel price per pound from 2018 to 2022.

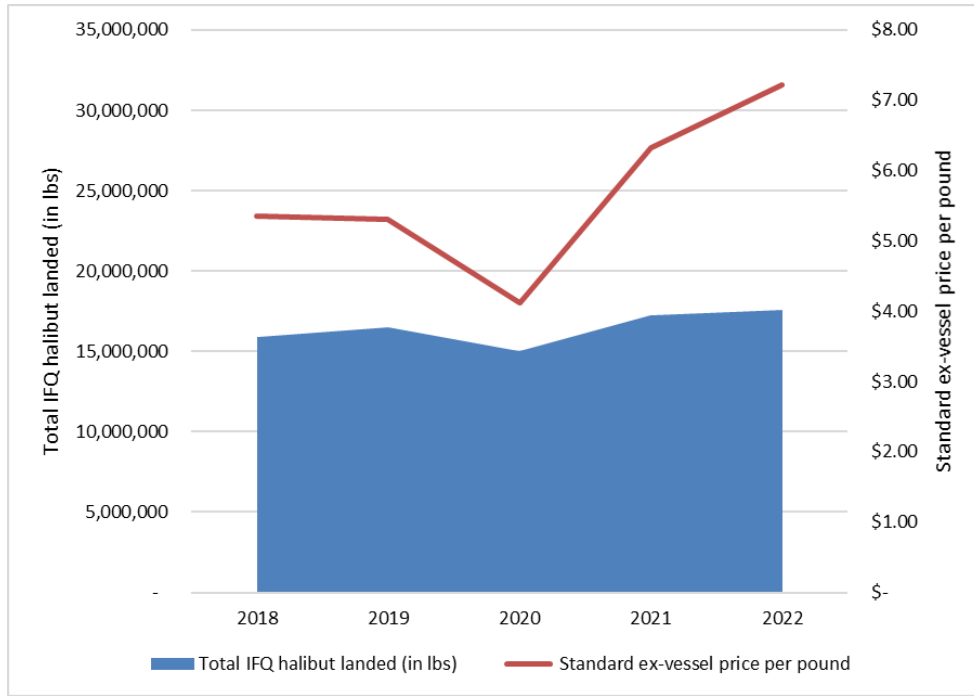
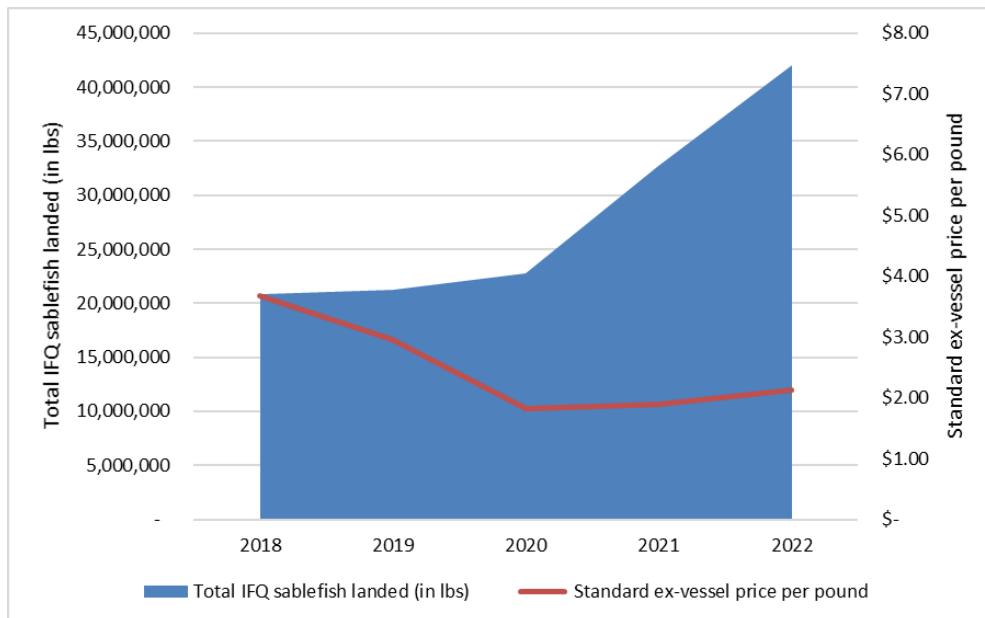


Figure 2. Total pounds landed of IFQ sablefish and standard ex-vessel price per pound from 2018 to 2022.



Details of Direct Program Costs

Table 3 provides detail on the 2022 direct program costs for NMFS operating units and external partners by breaking out individual cost categories. The sum of the cost categories ‘Personnel’ and ‘Contracts’ accounted for approximately 91 percent of the total direct program costs. Operating units are discussed in the following section in order of largest to smallest cost to the IFQ program. Figure 3 shows the cost components for all NMFS operating units and external partners from 2017 to 2022. Despite some increases within and outside operating units, overall the direct program costs decreased for FY 2022.

Table 3. Fiscal year 2022 IFQ direct program costs by cost recovery component for NMFS operating units, IPHC, and ADF&G.

Cost Recovery Component	NMFS OMD	NMFS RAM	NMFS SFD	NMFS ISD	NMFS FSD	NMFS OLE	IPHC	ADF&G	Total
Personnel/benefits ^a	\$27,629	\$292,461	\$74,232	\$163,972	\$113,995	\$1,278,708	\$620,238	\$100,779	\$2,672,015
Overhead	-	-	-	-	-	-	\$70,280	\$25,481	\$95,761
Travel ^b	-	-	\$1,349	-	-	-	\$40,318	-	\$41,667
Transportation ^c	-	-	-	-	-	-	\$24,912	-	\$24,912
Printing	\$1,170	-	-	-	-	-	\$180	-	\$1,350
Contracts/Training ^d	-	\$285,973	\$167,076	\$255,514	-	\$461,936	\$1,023	-	\$1,171,522
Supplies	-	-	-	-	-	-	\$1,522	-	\$1,522
Equipment	-	-	-	-	-	-	\$705	-	\$705
Rent/Utilities ^e	\$7,688	\$55,865	\$6,579	\$23,000	-	\$100,832	\$15,289	-	\$209,253
Other	-	-	-	-	-	-	\$4,781	-	\$4,781
Total	\$36,487	\$634,299	\$249,236	\$442,486	\$113,995	\$1,841,476	\$779,247	\$126,259	\$4,223,487

^a Personnel includes costs of locality pay, benefits, and overhead.

^b Travel includes per diem payments. IPHC uses a scalar to determine costs so IPHC travel expenses reflect costs derived by a separate cost formula.

^c Transportation includes shipment of items.

^d Contracts/Training are an aggregate of contracts, contract fees, and training costs.

^e Rent/Utilities includes costs of space and utilities and shared common space and services.

Among NMFS operating units, OLE expenses accounted for roughly half of the IFQ program costs. OLE has high direct costs for the IFQ Program due to the high number of participants and regulatory complexity. OLE’s primary cost is personnel for enforcement monitoring and investigations of the IFQ program due to the high number of participants (1100+ vessels), landings (5000+), and offload ports (30+), as well as the duration of IFQ fisheries. Secondary cost is for the IFQ data clerk contract. Further, OLE is responsible for shoreside enforcement and provides after-hours surveillance.

The US Coast Guard (USCG) also refers labor costs to OLE for at-sea enforcement; when the USCG documents at sea violations, it refers the offence to OLE for final action. Additionally, the IFQ Program does not require the use of vessel monitoring systems when fishing for halibut, which contributes to higher enforcement costs. VMS would be a useful tool for OLE to assess fishing activity in IFQ regulatory areas.

OLE employs a multifaceted strategy to maximize compliance in the IFQ fisheries. This strategy includes educational outreach, partnerships, patrols, inspections, and investigations. OLE spends thousands of hours annually providing marine resource users with compliance assistance, including staffing booths at organized events, daily contacts in communities, ports, harbors, and at-sea to ensure that the most current and accurate regulatory information is widely distributed and understood. OLE also spends thousands of hours annually conducting patrols to provide a visible deterrence, monitor fishing, detect violations, conduct compliance inspections, and provide compliance assistance. OLE personnel investigate reports or complaints of IFQ violations as well as regularly analyze IFQ data that may lead to investigations of abnormal activity and missing or questionable information. Overall, OLE costs increased from FY 2021 to FY 2022.

Within NMFS operating units, RAM incurs significant personnel costs issuing the large number of IFQ permits and processing transfers of quota shares, including transfers related to medical leases and right of survivorship. Costs in the personnel category decreased to support the IFQ program, largely due to fluctuations in personnel changes and reduced COVID-related requests. Costs in the contract/training category decreased and are apportioned across programs based on payments made each year.

ISD costs maintain the electronic landings system (eLandings) for the IFQ program. Because eLandings is used for multiple fisheries, ISD has developed a formula for tracking the time spent by computer programmers to maintain the system. The formula includes weighting factors for the degree of complexity, amount of integration, time sensitivity, and workload for eLandings maintenance tasks, then it calculates the proportion of eLandings tasks that can be attributed to each fishery program. This formula is reevaluated every year. Costs for FY 2022 increased.

FSD costs support the loan program. For FY 2022, FSD costs decreased year over year due to a lower loan volume and fewer COVID-related servicing requests.

SFD and OMD incur administrative and regulatory development costs. For FY 2022, costs increased for SFD and decreased for OMD.

Outside of NMFS operating units, costs incurred by the IPHC are primarily attributed to personnel and benefits. Personnel supports the IFQ fishery and IPHC administrative duties. IPHC costs for FY 2022 increased from 2021, due to field office support. Nearly all ADF&G costs are related to maintaining the eLandings catch accounting program. FY 2022 costs decreased.

Figure 3. Comparison of IFQ direct program costs for NMFS, IPHC, and ADF&G 2018 - 2022.

