

CDQ Program Cost Recovery Report

Fishing Year 2023



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CDQ Program Cost Recovery for Fishing Year 2023

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 (LAPP) and the Western Alaska Community Development Quota (CDQ) Program. Cost recovery fees recover the actual costs directly related to the management, data collection, and enforcement of the programs. Section 304(d) of the Magnuson-Stevens Act mandates that cost recovery fees not exceed 3 percent of the annual ex-vessel value of fish harvested by a program subject to a cost recovery fee, and that the fee be collected either at the time of landing, filing of a landing report, or sale of such fish during a fishing season or in the last quarter of the calendar year in which the fish is harvested.

On January 5, 2016, the National Marine Fisheries Service (NMFS) published a final rule to implement cost recovery for the CDQ Program (81 FR 150). The CDQ Program allocates a portion of the total allowable catches of Bering Sea and Aleutian Islands (BSAI) groundfish species and halibut to CDQ groups. The CDQ groups are responsible for paying the fee for fish landed under the CDQ Program, due on December 31 of the year in which the landings were made. Cost recovery requirements for the CDQ groups are at 50 CFR 679.33. The total dollar amount of the fee due is determined by multiplying the NMFS published fee percentage by the ex-vessel value of all landings under the program made during the fishing year. NMFS published a notice of the fee percentages for the CDQ Program in the **Federal Register** on November 24, 2023 ([88 FR 82336](#)). NMFS calculates the fee percentage each year according to the factors and methods described at 50 CFR 679.33(c)(2). NMFS determines the fee percentage that applies to landings made during the year by dividing the total costs directly related to the management, data collection, and enforcement of each program (direct program costs) during the year by the fishery value.

CDQ Program cost recovery fee

Calculating the ex-vessel value of the CDQ Program fisheries

For purposes of calculating the fishery value, NMFS calculates a standard ex-vessel price (standard price) for all CDQ species: BSAI arrowtooth flounder, BSAI Greenland turbot, BSAI rock sole, BSAI yellowfin sole, BSAI Pacific cod, BSAI flathead sole, AI Pacific ocean perch, BSAI sablefish, BSAI halibut, and BSAI Atka mackerel.

NMFS uses volume and value information reported in the First Wholesale Volume and Value Report from January 1 through October 31 to calculate an annual standard price for BSAI arrowtooth flounder, BSAI Greenland turbot, BSAI yellowfin sole, BSAI flathead sole, AI Pacific ocean perch, trawl-caught BSAI sablefish, and BSAI Atka mackerel. For BSAI rock sole, NMFS calculates a standard price for two time periods—January 1 through March 31 and April 1 through October 31—also based on volume and value information reported in the First Wholesale Volume and Value Report.

For fisheries that are primarily harvested by catcher/processors, there is no reliable ex-vessel price generated from the sale of fish from a harvester to a processor. Therefore, NMFS estimates

the ex-vessel price for those fishery species by using reported information on the first wholesale price from trawl catcher/processors that harvest CDQ species. The first wholesale price is the market price of the primary processed fishery product. The estimated standard ex-vessel price is the value of processed products from catcher/processors divided by the retained round-weight (unprocessed weight) of catch and multiplied by a factor of 0.4 to correct for the value added to the fish product by processing.

NMFS calculates an annual standard price for CDQ Program trawl and fixed gear Pacific cod using volume and value data reported in the Pacific Cod Ex-Vessel Volume and Value Report by shoreside processors that receive BSAI Pacific cod landings. For 2023, the Pacific Cod Ex-Vessel Volume and Value Report includes data from January 1 through October 31, 2023.

NMFS calculates an annual standard price for CDQ fixed gear halibut and for CDQ fixed gear sablefish. The standard prices are the same as the Bering Sea port group prices calculated under the Observer Fee Program, which uses volume and value information reported annually on the IFQ Registered Buyer Ex-Vessel Volume and Value Report. For 2023, the IFQ Registered Buyer Report includes data from October 1, 2022 through September 30, 2023.

Each landing made under the program is multiplied by the appropriate standard price to arrive at an ex-vessel value for each landing. These values are summed together to arrive at the ex-vessel value of the CDQ Program fisheries used to calculate the fee percentage.

Calculating the costs of management and enforcement

Direct program costs are calculated by determining the incremental management costs of the CDQ Program; that is, costs that would not have been incurred but for the CDQ Program. These costs cover the management, data collection, and enforcement of the CDQ Program by NMFS and ADF&G. The NMFS management units that incur direct program costs are: the Sustainable Fisheries Division (SFD), the Restricted Access Management Division (RAM), the Operations and Management Division (OMD), the Information Systems Division (ISD), the Alaska Fisheries Science Center (AFSC), and the Office of Law Enforcement Alaska Division (OLE). For the purposes of this report, OLE and AFSC costs are broken out into separate cost categories and all other NMFS Alaska Region (AKR) management unit costs are aggregated.

Throughout the year, each management unit calculates their CDQ Program incremental costs through an established accounting system that allows staff to track labor, travel, contracts, rent, and procurement. These costs are tracked for the Federal fiscal year (October 1 through September 30) and broken out by cost categories including personnel/overhead, travel, transportation, printing, contracts/training, supplies, equipment, and rent/utilities. Table 2 displays the direct program costs for the CDQ Program for 2023.

Cost recovery fees do not increase agency budgets or expenditures. They offset funds that would otherwise have been appropriated, except the ADF&G expenditures for which there is no direct appropriation. No budgetary advantage is gained by inflating direct program costs.

Examples of the types of tasks that were included under the 2023 CDQ direct program costs were:

- Patrols, investigations, outreach and education, and compliance assistance (OLE)

- Analysis and rulemaking activities (NMFS AKR),
- At-sea scale inspections and video equipment inspections (NMFS AKR),
- Cost recovery fee determination and collection process (NMFS AKR),
- Responding to questions about permits (NMFS AKR),
- Maintenance of the catch accounting system and eLandings (NMFS AKR, ADF&G), and
- Inseason operations, sampling, and quality control (AFSC).

Calculating the annual fee percentage

NMFS computes the annual fee percentage by dividing the direct program costs by the total fishery value of CDQ landings. The annual fee percentage is calculated using the following formula:

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

The formula shows that the direct program costs (DPC), multiplied by 100, and is then divided by the fishery value (V). The result is the *fee percentage*.

The annual fee percentage is published in the **Federal Register** by December 1st and is applied to all landings of CDQ species that occurred that year. NMFS provides a summary of fee liabilities to all CDQ groups by December 1st. The summary explains the cost recovery fee determination for each group including the current fee percentage, details of CDQ Program pounds debited from allocations by permit and date, and the standard prices for the landings.

Calculating the 2023 fee

The fee percentage for the CDQ Program is 1.07 percent. Table 1 shows the fee percentage computation.

Table 1. Detail of formula for calculating the 2023 fee percentage for the CDQ Program.

Factor	Value	Activity
Direct Program Cost (DPC)	\$ 881,105	divided by
Total Fishery Value (V)	\$ 82,731,219	multiply by 100
=	1.07	yields
<i>Fee percentage for 2023 CDQ Program = 1.07 percent</i>		

Payment of cost recovery fees

NMFS sends fee statements to CDQ groups based on the group’s reported landings for the most recent fishing year for all CDQ Program species and value as computed for fee collection purposes. The CDQ group is responsible for submitting payment to NMFS on or before December 31 of the year in which landings are made. Fees must be paid electronically.

If a CDQ group fails to pay on time, OMD will issue an Initial Administrative Determination to which the group 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 CDQ group’s groundfish and halibut allocations and assess additional monetary charges,

finer, or permit sanctions. If after 120 days the fee remains unpaid, the unpaid balance is forwarded to the U.S. Department of the Treasury for collection.

Details on Cost Categories

Total CDQ Program costs increased 55.1 percent in FY 2023 relative to FY 2021. Table 2 displays costs attributed to each management unit. Direct program costs for FY 2021, FY 2022, and FY 2023 are compared in Table 3. Between FY 2022 and FY 2023, both costs and fishery value increased. The fee percentage increased from 0.85 to 1.07 percent.

The largest category of costs was attributed to OLE which increased approximately 115 percent from the previous fiscal year. The largest increases were due to the filling of vacant positions in the Dutch Harbor office that often handles CDQ investigations and an increased community outreach and patrol effort in FY 2023. Contract costs for the observer program and data service contracts also increased. CDQ Program costs were also attributed to patrols, investigations, outreach and education efforts, and compliance assistance.

The second largest category of direct program costs was from NMFS AKR. The majority of costs were attributed to personnel and contracts which support eLandings and maintenance of the Catch Accounting System. Contract costs increased due to a necessary infrastructure upgrade project. NMFS AKR costs increased overall between FY 2022 and FY 2023.

AFSC costs increased 9 percent in FY 2023 relative to FY 2022. The majority of cost increases were due to the need for Seattle based staff to deploy to the field due to vacancies in some ports and a need to replace specific observer sampling supplies. Costs support the FMA division which operates the North Pacific Observer Program. Personnel work on inseason operations, debriefing, quality control, gear inventory, deployment, and training specific to the CDQ program. Contract costs decreased for AFSC due to a reduction in staff on the PSMFC contract for its final year.

ADF&G costs cover eLandings program management. There was a 27 percent increase in costs between FY 2022 and FY 2023 due to filling multiple vacancies, resuming pre-pandemic travel levels for training and a one-time contract to complete work while recruiting permanent staff.

Table 2. Fiscal Year 2023 Direct Program Costs for the CDQ Program.

Cost Category	NMFS	ADF&G	AFSC	OLE	Total
Personnel Costs ^a	\$62,478	\$42,328	\$101,491	\$260,971	\$467,269
Travel ^b	\$3,221	\$1,483	\$3,177		\$7,881
Transportation ^c					
Printing			\$4,000		\$4,000
Contracts/Training	\$144,642	\$3,988	\$22,903	\$215,586	\$387,119
Supplies			\$2,537		\$2,537
Equipment			\$680		\$680
Rent/Utilities ^d	\$8,726				\$8,726
Other ^e					
Total	\$221,960	\$47,799	\$134,788	\$476,557	\$881,105

^a *Personnel costs* includes locality pay, benefits, and overhead.
^b *Travel* includes per diem payments.
^c *Transportation* includes shipment of items.
^d *Rent/Utilities* includes costs of space and utilities, shared common space, and services
^e *Other* includes costs for grants & other/misc category costs

Table 3. Comparison of Direct Program Costs for the CDQ Program.

Cost Category	FY 2021	FY 2022	FY 2023
Personnel/Overhead	\$321,299	\$327,906	\$467,269
Travel	\$531	\$395	\$7,881
Transportation	-	-	-
Printing	-	\$3,600	\$4,000
Contracts/Training	\$181,128	\$225,149	\$387,119
Supplies	-	\$1,600	\$2,537
Equipment	-	\$573	\$680
Rent/Utilities	\$20,257	\$8,761	\$8,726
Other	\$26,386	-	
Total Direct Costs	\$549,601	\$567,984	\$881,105
Fishery Value	\$66,402,272	\$67,080,329	\$82,731,219
Fee Percentage	0.83	0.85	1.07