# Cost Recovery Options for the Wreckfish ITQ Program

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# Cost Recovery

- Mandated under MSA 304(d)(2)(A) & (B)
  - Fee cannot exceed 3% of the ex-vessel value
  - Agency cost may exceed the 3%
  - Agency determines fee annually
  - Fees collected by NMFS at:
    - Time of landing
    - Filing of a landing report
    - Sale of fish
    - Last quarter of the calendar year in which the fish is harvested
- MSA 303(e) Cost Recovery
  - Fees will cover the costs of management, data collection and analysis, and enforcement activities

# Cost Recovery Fees (CRF)

- Generally, the permit holder landing the fish pays the CRF
  - Exceptions are cooperatives, AK Crab, and Pacific Groundfish
    - AK Crab CRF paid equally by harvest and process sectors
    - Pacific Groundfish 3 sectors pay CRF: Shoreside IFQ, mothership, and catcher-processors
- If a Wreckfish electronic system is chosen, it will be built in the existing SERO Catch Share Online System
- The SERO system assess the CRF based on the vessel account and related shareholder account that completed the landing
  - Shareholder accounts may or may not hold shares
  - Vessel accounts are linked by permit to shareholder accounts
  - Shareholder accounts receive the annual allocation
  - To harvest, annual allocation must be moved to a vessel account

# Gulf of Mexico Programs

- Dealers collect on behalf of NMFS at the time of landing
- Dealers submit fees to NMFS quarterly
    - Fees calculated by quarter and due within 30 days after the quarter ends
    - Example: Quarter 1 (January through March CRF) paid between April 1-30
- The CRF is based on the actual ex-vessel value
    - There can be no deductions for ice, allocations, bait, etc.
- Benefits for Gulf IFQ
    - Accountability for dealers – failure to submit fees locks their account
    - Quarterly submission of CRF spreads payments out over the year
    - Fishermen know CRF fee at time of landing

# Cost Recovery Council Decisions

- Action 7-1: Should an external party be used to collect the fee on NMFS behalf?
    - Allow dealers to collect the fee on the behalf of NMFS
- Action 7-2: When should fees be collected by NMFS (or on NMFS behalf)?
    - Time of landing or landing report, sale, last quarter
- Action 7-3: How often should fees be submitted to NMFS?
    - Action only available if an external party collects on NMFS behalf
    - Annual, bi-annual, quarterly, or monthly
- Action 7-4: How should the fee be determined?
    - Actual ex-vessel value or standard ex-vessel value

# Action 7-1: Collection on behalf of NMFS

This action determines if a dealer can collect on NMFS behalf. Only when an external party collects on NMFS behalf, can there by options for time to  submit to NMFS (Action 7-3).

NMFS, or the collector on NMFS behalf, must collect the fees according to MSA times (Action 7-2.)

- Time of landing
- Time of landing report
- Sale
- Last quarter of the calendar year in which the fish was harvested

- This Action interacts with Actions 7-2 and 7-3
  - Action 7-2 – When fees are collected for NMFS
  - Action 7-3 – When fees are submitted to NMFS
- Dealer collects on behalf of NMFS
  - All options in Action 7-2 are available
  - Increased flexibility in submission to NMFS
  - Creates compliance mechanism for dealer reporting
    - IFQ dealers who fail to submit CRF accounts are suspended
- NMFS directly collects from fisherman
  - With no external party collecting on NMFS behalf, the fees must be submitted to NMFS based on the timing in MSA
  - Challenges may exist for payment upon time of landing, report, or sale when fees are not collected by an external party
    - Corrected landings – need to adjust CRF in a timely manner
    - Relaying information to pay.gov in a timely manner
  - Action 7-3 is not an option

# Action 7-2: NMFS collection timelines

MSA is written with NMFS being the CRF collector. Action 7-2 determines the time of collection of the CRF.

Based on MSA, NMFS must collect the fees at:

- Time of landing,
- Time of landing report,
- Sale, or
- Last quarter of the calendar year in which the fish was harvested

Action 7-1 allows an entity to collect on NMFS behalf at the above timelines.

- MSA allows 4 timelines for fee collection
- 3 options occur throughout the year
  - Time of landing, time of landing report, or time of sale
- Last quarter of the fishing year only occurs annually
  - As calculation must occur in the last quarter, fees may be offset by a quarter
    - Jan – Sept 2023 + Oct – Dec 2022 due in Nov 2023

- Confounded with Action 7-1 and 7-3
  - Dealer collecting on NMFS behalf allows throughout the year collections (Action 7-1) and flexibility in submission to NMFS (7-3)
    - Submission time must be greater than collection time frame
  - If NMFS collects directly from fishermen, challenges and increased burden in within year collection
    - Last quarter of the fishing year is simpler for all parties under this collection method

# Action7-3: Submission to NMFS

**Description**

When the fees are collected on NMFS behalf, a submission timeline may differ from collection timeline to ease the burden of submission.

Suggested submission times:

- Monthly
- Quarterly
- Bi-annual
- Annual

Payment through pay.gov which accepts credit cards (CC) and automated clearing house (ACH) that deducts from a checking account.

- Dealer collecting on NMFS behalf
  - Allows for collection and submission to occur in different timeframes
  - Submission time must be equal to or greater than collection time on NMFS behalf
- NMFS directly collects from fisherman
  - No submission option, as collection occurs at time selected in Action 7-2
- Benefits to annual submission
  - One payment
    - May be large
  - Less time burden
- Benefits to submission throughout the year
  - Smaller payments per transaction
    - CC limited to <$30K maximum
    - Refunds via CC instantaneous
    - ACH refunds require signatures and may take weeks
  - More frequent payment results in more frequent compliance checks and balances
  - More frequent payments, ensures agency recovers a portion of the CRF if a dealer company goes out of business.

# Action 7-4: Ex-vessel Decision

## Description

Ex-vessel price is the price per pound of fish. Ex-vessel value is the ex-vessel price times the landings.

Example:

Ex-vessel price: $5/lb
Landings: 100 lb
Ex-vessel value: $5 * 100 = $500
Maximum CRF: 3%
CRF owed: 0.03 * $500 = $15

Ex-vessel price entered & validated by both fishermen and dealer. ITQ system will show calculated CRF for each landing transactions.

## Actual ex-vessel price

- Utilizes reported ex-vessel prices on each landing, prior to any deductions
  - Reflects differing prices across trips
- Minimum admin. burden
  - System calculates CRF upon completion of landing transaction.
  - No federal register requirements or confidentiality issues
  - System sends value to pay.gov for collection and tracks payment in the IFQ system

## Standard ex-vessel price

- Uses prior year's average ex-vessel price for entire fishery
  - Calculation may consider expected changes in price
  - Requires time to calculate from the previous year
  - Annual average applied regardless of collection frequency
- Increased admin. burden
  - Requires annual federal register notification of standard value[1]
  - Time to calculate average may restrict collection to last quarter as average may be unknown at start of year

[1] Example from Pacific NW

# Possible Combined CRF Actions

| Collector | Collection Time | Submission Time | Value |
|---|---|---|---|
| Dealer | Throughout year options:<br>Time of landing<br>Time of landing report<br>Time of sale | Monthly | Actual or Standard |
| | | Quarterly | |
| | | Bi-annual | |
| | | Annual | |
| | Last quarter | Annual | Actual or Standard |
| Fisherman | Throughout year options:<br>Time of landing<br>Time of landing report<br>Time of sale | N/A, as collection occurs at time of landing, report, or sale | Actual or Standard |
| | Last quarter | Annual | Actual or Standard |

# Cost Recovery in Other programs

| Program | Ex-vessel Value | Collection Time | Collected by | Submission time |
|---|---|---|---|---|
| Pac. Groundfish Trawl Rationalization[1] | Actual | Landing & Last Quarter | Dealer | Monthly & Yearly |
| AK IFQ[2] | Standard or Actual | Last quarter | Fisherman | Yearly |
| AK CDQ | Standard | Last quarter | Fisherman | Yearly |
| AK rockfish, Amd 80, AFA | Standard | Last quarter | Co-op manager | Yearly |
| AK Crab | Standard | July 31 | Dealers | Yearly |
| GARFO Scallops | Standard | Last quarter | Fisherman | Yearly |
| GARFO Gold. Tilefish | Actual | Last quarter | Fisherman | Yearly |
| GARFO Surfclam | Actual | Last quarter | Fisherman | Yearly |
| GOM Red Snapper IFQ | Actual | Landing | Dealer | Quarterly |
| GOM Grouper-Tilefish IFQ | Actual | Landing | Dealer | Quarterly |

[1] CRF paid by shoreside IFQ & mothership pay monthly; catcher processor pays last quarter
[2] Fishermen chooses standard or actual each year

# Considerations

- Administration and stakeholder burden under each scenario
- Influence on compliance
- Likelihood of agency receiving CRF payments
  - In the Gulf IFQ, dealers have gone out of business before paying their last quarter of CRF.  Once out of fishery, ability to recoup requires large administration burden
  - Failure to pay means submission to Treasury (must be >$10)
    - Costs to submit may exceed the amount owed
- There could be benefits to choosing one method across all catch share programs in a region
  - Eases admin burden
  - Reduces confusion