

APPENDIX IV

2023 Annual Report of the Atlantic Sea Scallop Individual Fishing Quota Cost Recovery Program

LAGC IFQ Program Review, 2016-2023



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Background

The Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act) requires NOAA's National Marine Fisheries Service (NMFS) to collect fees to recover the "actual costs directly related to the management, data collection, and enforcement" of an individual fishing quota (IFQ) program (16 U.S.C. 1854(d)(2)). The law provides that IFQ allocation holders pay a fee based on the ex-vessel value of fish landed under the program. The fee may be as high as, but cannot exceed, 3 percent of the ex-vessel value of the fish harvested under the IFQ program. For the Limited Access General Category (LAGC) scallop IFQ program, the ex-vessel value is calculated as the average price paid per pound of scallops during the fee period multiplied by the total weight landed.

Although the 2023 scallop fishing year ran from April 1, 2023, through March 31, 2024, the cost recovery fee is based on expenses and landings made during the fee period, which ran from October 1, 2022, through September 30, 2023. This is the 12th year that NMFS collected fees from scallop IFQ vessels.

Use of Funds

Payments received as a result of the scallop IFQ cost recovery program are deposited in the Limited Access System Administrative Fund as required by the Magnuson-Stevens Act. Funds deposited in this account are available only to the Secretary of Commerce and may only be used to defray the costs of management, data collection, and enforcement of the fishery for which the fees were collected. Therefore, fees collected as part of this cost recovery program will be used for management, data collection, and enforcement of the scallop IFQ program.

Determining the Value of the Fishery

As required in the Atlantic Sea Scallop Fishery Management Plan (FMP), NMFS determines the value of the scallop IFQ fishery by multiplying the total landings of IFQ scallops by the average price paid by dealers to IFQ scallop vessels for IFQ scallops. While ex-vessel prices for scallops vary over the course of the fee period, the Scallop FMP requires that the price of all IFQ scallops landed during the entire fee period be the basis of the average price (as opposed to the average price per vessel, per month, or some other unit of scallop landings). Federally permitted scallop dealers must report the weight and price paid for all scallops purchased. From these data, we calculated an average price of \$14.37 per lb paid to vessels participating in the scallop IFQ fishery during the 2023 fee period. The total of all LAGC IFQ landings during the 2023 fee period was 1,349,781 lb (shucked meats). Using this average price, we determined that the total value of LAGC IFQ landings was \$19,396,367 for the 2023 fee period. NMFS used this value to determine the overall fee percentage and the individual fees for vessel owners. We describe these determinations on page 4 of this report.

Cost of Management, Data Collection, and Enforcement

The Magnuson-Stevens Act requires the collection of the IFQ fee to recover the actual costs of the program. We have determined that the recoverable costs associated with the management, data collection, and enforcement for the scallop IFQ program include only the incremental costs of the IFQ program, and not the costs that would still have been incurred regardless of the fishery's status as an IFQ.

We calculated personnel costs by multiplying hours spent by staff on tasks directly related to the IFQ program, with the hourly salary rates for those individuals. Salary rates included the Government's share of benefits, prorated. We calculated contract expenses as the cost of contract employees prorated for the percentage of time the contract employees spent on tasks directly related to the IFQ program. In the 2023 fee period, the recoverable expenses primarily consisted of time spent by personnel working on tasks related to the administration of the IFQ program in the following Divisions:

Sustainable Fisheries Division (SFD)

SFD is primarily responsible for the management and implementation of the Atlantic Sea Scallop FMP, which includes the LAGC IFQ program. SFD staff monitor the IFQ program's allocation tracking and cost recovery components for consistency with the FMP and regulations, and generates this annual report. SFD is the principal point of contact with the New England Fishery Management Council. SFD implements any needed and approved regulatory changes recommended by the Council.

Analysis and Program Support Division (APSD)

APSD is responsible for most of the tasks associated with the ongoing operation of the scallop IFQ program. These include issuing annual IFQ allocations and processing and tracking temporary leases and permanent allocation transfers. APSD handles cost recovery tasks, such as generating individual fees, tracking payments, and, if needed, withholding permits for late payments. APSD is responsible for data collection and analysis, including extensive quality control of incoming data sources and tracking of landings against IFQ allocations. In addition, quality control is a critical function of APSD and of any IFQ program because it ensures that the landings data NMFS uses to calculate IFQ landings and, ultimately, the individual fee is correct and consistent with owners' records. APSD staff, which also includes NMFS port agents, work with vessel owners, dealers, and other NMFS offices to correct landings data, as needed.

Technology and Data Management Division (TDMD)

TDMD is responsible for development and maintenance of the information systems to support the scallop IFQ program. These systems include the internal databases and computer systems for handling allocations, the Fish Online website, and the data connections with Centralized Receivables Service, a free Department of Treasury service that issues the cost recovery bills and processes payments. These databases are critical to monitoring the IFQ program because they track individual landings, IFQ leasing, and permanent allocation transfers that take place in the LAGC IFQ fishery.

Operations and Budget Division (OBD)

OBD ensures the calculations of personnel costs and other costs are correct and meet required standards, as well as tracking the use of collected receipts.

Communications and Internal Affairs (CIA)

CIA is a team within the Regional Administrator's office and coordinates internal and external communications and messaging for the Region. CIA determined that there were no recoverable expenses associated with the scallop IFQ program during the 2023 fee period.

The Office of Law Enforcement (OLE)

OLE determined there were no increased enforcement activities as a result of the scallop IFQ program for the 2023 fee period, and, therefore, there were no recoverable expenses for enforcement.

NOAA General Counsel

The Northeast Section of the NOAA Office of General Counsel provides legal advice to NMFS and the Councils and reviews management actions for consistency with applicable legal requirements. General Counsel determined that there were no recoverable expenses associated with the scallop IFQ program during the 2023 fee period.

Table 1 provides details of the recoverable costs by division within the Greater Atlantic Regional Fisheries Office.

Table 1: Recoverable costs associated with management and enforcement of the scallop IFQ program, 2023 fee period

	APSD	SFD	TDMD	OBD	Total
Personnel [†]	\$106,288	\$1,158	\$9,410	\$161	\$117,373
Travel	\$0	\$0	\$0	\$0	\$0
Postage	\$0	\$0	\$0	\$0	\$0
Supplies	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$356	\$0
Total	\$6,288	\$1,158	\$9,410	\$518	\$117,373

[†] Personnel costs include all benefits and contractor costs

Calculating the Fee as a Percentage of Total Fishery Value

We calculated that the recoverable costs for the scallop IFQ program for the 2023 fee period represent 0.6051 percent of the value of the scallop IFQ fishery. We calculated the fee percentage with the total fishery value of \$19,396,367 and total recoverable program costs of \$117,373 using the following formula:

$$\frac{\$117,373}{\$19,396,367} \times 100 = 0.6051 \text{ percent}$$

This value of 0.6051 percent is less than the possible upper limit fee percentage of 3.0 percent (see background section, above). Thus, we were able to assess the total recoverable costs of fee period 2023.

Calculating Fees Assessed to Individual Permit Holders

Under the scallop IFQ program regulations, an LAGC IFQ permit holder is responsible for the IFQ fee based on the value of the landings of scallops attributed to their LAGC scallop IFQ permit, including landings made from an allocation that they transferred in (permanent or temporary (lease)) from another IFQ holder. The allocation tracking program that we have developed is able to identify all scallop IFQ transfers and attribute landings to the vessel that landed the scallops. To determine the appropriate IFQ fee for each LAGC IFQ permit holder, we multiply the permit holder's landings by the average price per lb and then by the fee percentage. This is represented by the following formula:

$$(\text{Vessel's IFQ landings by lb}) \times (\$14.37) \times (0.6051 \text{ percent}) = 2023 \text{ cost recovery fee}$$

Based on this calculation, fees ranged from \$10.57 to \$5,271.09 per vessel.

We mailed bills for the scallop IFQ 2023 fee period to 109 LAGC IFQ permit holders on February 13, 2024. Permit holders had 60 days (April 13, 2024) to pay the balance due through Centralized Receivable Services.

Changes from Previous Years

Total recoverable costs can fluctuate from year to year. Some management tasks may need to be done every year, and some tasks may require more time and effort in some years.

Table 2. Scallop IFQ recoverable costs, fishery value, and fee percentage 2011-2023

Fee Year	Recoverable Costs	Total Fishery Value	Fee Percentage
2011	\$82,557	\$28,004,530	0.2948%
2012	\$106,745	\$33,684,037	0.3169%
2013	\$118,509	\$31,863,299	0.3719%
2014	\$123,743	\$29,249,990	0.4230%
2015	\$131,361	\$35,453,100	0.3705%
2016	\$270,823	\$44,698,121	0.6058%
2017	\$142,578	\$34,387,334	0.4146%
2018	\$113,961	\$27,814,813	0.4097%
2019	\$113,095	\$30,209,646	0.3743%
2020	\$65,993	\$27,431,586	0.2405%
2021	\$72,904	\$34,480,967	0.2114%
2022	\$123,720	\$30,676,758	0.4033%
2023	\$117,373	\$19,396,367	0.6051%