



MARYLAND DEPARTMENT OF NATURAL RESOURCES
Cost Recovery Summer Study

**DNR Fisheries Service: Cost
Recovery Summer Study**

August 6, 2012



MARYLAND DEPARTMENT OF NATURAL RESOURCES

Cost Recovery Summer Study

METHODOLOGY



Cost Recovery Summer Study

The Methodology

- Step 1: identify user/non-user groups (Inland Recreational, Tidal Recreational, Commercial, Aquaculture, Community).

Community, is comprised of the citizens of the state of Maryland, which includes seafood consumers.

- Step 2: allocate salary of each employee in Fisheries Service (FS) to each group based on the time he/she spends working for its benefit.
- Step 3: allocate each non-salary item in FS budget in proportion to how the different groups above benefit from the service that item supports.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	QN00 - Blue Crab							Inland R	Tidal R	Commercial	Commercial Allocation				Aquaculture	Total	Community	Community
2											Blue Crab	SB	Oyster	Other				
3	Subprog	A0BJ	13 Allow GF	13 Allow SF	13 Allow FF	13 Allow RF	13 Allow Total	%	%	%	%	%	%	%	%	%	%	Y/N
4	QN00	0203	-	62,590	-	-	62,590	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
5	QN00	0204	-	4,788	-	-	4,788	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
6	QN00	0207	-	175	-	-	175	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
7	QN00	0221	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N
8	QN00	0289	-	(2,709)	-	-	(2,709)	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
9	QN00	0801	-	864	-	-	864	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
10	QN00	0802	-	500	-	-	500	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
11	QN00	0805	-	-	2,500,000	-	2,500,000	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
12	QN00	0807	-	4,300	-	-	4,300	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	Y
13	QN00	0809	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N
14	QN00	0815	-	7,346	-	-	7,346	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	N
15	QN00	0819	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N
16	QN00	0843	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N
17	QN00	0855	1,000	5,000	-	-	6,000	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
18	QN00	0857	-	3,000	-	-	3,000	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
19	QN00	0901	-	504	-	-	504	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
20	QN00	0902	-	500	-	-	500	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
21	QN00	0905	-	200	-	-	200	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
22	QN00	0907	-	200	-	-	200	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
23	QN00	0912	-	500	-	-	500	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
24	QN00	0913	-	300	-	-	300	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
25	QN00	0914	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N
26	QN00	0916	-	100	-	-	100	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
27	QN00	0917	-	3,500	-	-	3,500	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
28	QN00	0937	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N
29	QN00	0941	-	400	-	-	400	0.0%	50.0%	50.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	10.0%	y
30																		
31																		
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	A	B	C	D	E	F	G	H	I	J	K	L	M
1	0000	Analysis & Assessment	FY2013 (US\$)	Inland R	Tidal R	Commercial	Blue Crab	SB	Oyster	Other	Aquaculture	Community	
2													
3		Salaries and Wages:	164,286	9,107	65,268	65,268	2,429	19,125	9,411	34,304	0	24,643	
4		Employee 1	64,286	5,464	24,589	24,589	0	4,918	4,918	14,754	0	9,643	
5		Salary	45,000	10.0%	45.0%	45.0%	0.0%	20.0%	20.0%	60.0%	0.0%	15.0%	
6		Overhead	19,286										
7		Employee 2	42,857	3,643	16,393	16,393	0	3,279	3,279	9,836	0	6,429	
8		Salary	30,000	10.0%	45.0%	45.0%	0.0%	20.0%	20.0%	60.0%	0.0%	15.0%	
9		Overhead	12,857										
10		Employee 3	57,143	0	24,286	24,286	2,429	10,929	1,214	9,714	0	8,571	
11		Salary	40,000	0.0%	50.0%	50.0%	10.0%	45.0%	5.0%	40.0%	0.0%	15.0%	
12		Overhead	17,143										
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The Methodology

- *Step 4*: allocate contributions to other units (NRP, Licensing, Office of the Secretary) among user/non-user groups.

NRP allocation of field operation time to different fisheries	
Non Tidal recreational:	24.1%
Tidal recreational:	49.6%
Commercial:	26.3%
<i>Crab:</i>	6.9%
<i>Finfish:</i>	11.9%
<i>Shellfish:</i>	7.5%



The Methodology

- *Step 5:* Identify current sources of funding corresponding to each group.
- *Step 6:* Determine the additional funds, if any, required for each user group to achieve cost recovery.



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RESULTS



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FY2013 FISHERIES SERVICE BUDGET (Figures in \$)	Total (\$)	Inland R	Tidal R	Commercial	Aquaculture	Community
		\$	\$	\$	\$	\$
QA00 - Headquarters	1,159,683	233,325	267,833	254,643	140,583	263,299
QA50 - Communications and Marketing	1,003,868	234,577	306,451	208,199	59,452	195,190
QB00 - Policy and Development	345,753	36,843	73,536	75,119	9,010	151,245
QC00 - Chesapeake Bay Program	485,427	56,181	97,023	103,546	0	228,677
QD00 - Permits, Reports and Compliance	924,076	38,833	65,054	722,675	27,504	70,010
QE00 - Cooperative Oxford Lab	833,262	52,880	154,106	195,576	52,019	378,681
QF00 - Oyster Disease Research	521,959	23,524	72,402	128,082	36,972	260,979
QG00 - Fish and Wildlife Health	554,817	3,654	44,579	59,076	3,654	443,853
QH00 - Inland Fisheries Planning	849,038	525,236	163,439	13,261	13,261	133,842
QI00 - Inland Fisheries Operations	1,254,301	881,216	170,784	0	0	202,301
QJ00 - Inland Fisheries - Restoration & Enhance	1,639,537	847,555	216,706	174,722	34,013	366,542
QK00 - F-48-R USF&W Grant	160,823	96,537	14,294	0	0	49,992
QL00 - F-53-D USF&W Grant	417,500	410,740	160	0	0	6,600
QM00 - Estuarine and Marine Fisheries	278,103	0	53,571	37,071	0	187,462
QN00 - Blue Crab Analysis and Monitoring	3,086,824	0	304,342	2,449,846	0	332,636
QO00 - Analysis and Assessment	267,441	13,303	106,098	106,098	0	41,941
QP00 - F-61-R Chesapeake Finfish USF&W	1,520,764	13,074	533,068	531,684	3,385	439,553
QR00 - NOAA Eel Grant	137,576	0	11,598	104,382	0	21,596
QS00 - Coastal Bay	487,654	0	223,396	200,196	0	64,061
QT00 - Shellfish Restoration & Management	2,787,132	0	774,613	892,222	319,495	800,802
QV00 - Piney Point Hatchery	153,113	0	0	15,311	137,801	0
QW00 - Restoration and Repletion	837,546	0	120,130	591,735	38,788	86,893
QX00 - Stock Assessment	172,586	0	54,915	63,062	13,109	41,500
QY00 - Aquaculture	484,411	0	3,043	3,043	471,563	6,762

Main Findings

- Finding 1: projected deficit of **\$2.9 million** for Fisheries Service in 2013, which will be covered by savings. Savings run out this year.
- Finding 2: Inland Rec. at 106% cost recovery and Tidal Rec. at 118% (i.e. surplus of **\$1.5 million**)
- Finding 3: projected shortfall of **\$1.8 million** in Community revenues



Main Findings

- Finding 4: commercial sector at 61% level of cost recovery (i.e. deficit of **\$2.6 million**)



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Main Findings

FY2013 FISHERIES SERVICE BUDGET (Figures in \$)	Total (\$)	Inland R	Tidal R	Commercial	Aquaculture	Community
		\$	\$	\$	\$	\$
Total Fisheries Service FY2013 management costs:	25,743,145	5,282,370	6,200,863	6,788,865	1,618,839	5,852,208
Total FF, GF & RF:	13,464,460	2,544,040	2,695,960	2,617,000	1,568,801	4,038,659
License fee revenues:	9,383,223	3,089,315	4,670,704	1,573,166	50,037	Community funds shortfall
Revenue deficit		-350,986	-1,165,801	2,598,699	0	1,813,550
<i>% cost recovery through user fees</i>		58.5%	75.3%	23.2%	3.1%	
<i>% of cost recovery by Federal, Reimb. & Special Funds</i>		106.6%	118.8%	61.7%	23.7%	

GF SF savings + rec. surplus
 How is this deficit covered in 2013?



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**HOW TO ADDRESS THE
DEFICIT?**

Option 1: Increase Revenue

- Increase commercial license fees to bring the commercial sector to 100% cost recovery (i.e. reduce deficit by \$2.6 million).
- Use surplus from recreational sector to help cover the current deficit in community revenues (i.e. reduce community shortfall to \$300,000).
- Identify additional \$300,000 in DNR general funds to cover the remaining shortfall in community revenues.



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Option 1: Increase Revenues

FY2013 FISHERIES SERVICE BUDGET (Figures in \$)	Total (\$)	Inland R	Tidal R	Commercial	Aquaculture	Community
		\$	\$	\$	\$	\$
Total Fisheries Service FY2013 management costs:	25,743,145	5,282,370	6,200,863	6,788,865	1,618,839	5,852,208
Total FF, GF & RF:	13,464,460	2,544,040	2,695,960	2,617,000	1,568,801	4,038,659
License fee revenues:	11,981,922	3,089,315	4,670,704	4,171,865	50,037	Community funds shortfall
<i>Required additional revenue for 100% cost recovery</i>		-350,986	-1,165,801	2,598,699	0	296,763
<i>% Increase in SF revenues</i>		0.0%	0.0%	165.2%	0.0%	
<i>% cost recovery through user fees</i>		58.5%	75.3%	61.5%	3.1%	
<i>% of cost recovery by Federal, Reimb. & Special Funds</i>		106.6%	118.8%	100.0%	23.7%	

Option 2: Further reduce costs

- Identify programs/services provided to the commercial sector for a total of \$2.6 million that will need to be eliminated.
- But be aware that management costs/dockside value in Maryland is already at 9% level (i.e. international average)! Level would drop to 5.5% with the cuts.
- Identify programs/services provided to the broader community for a total of \$1.8 million, that will need to be eliminated if recreational funds not available.



Option 2: Further reduce costs

Candidate Programs to be eliminated/reduced:

- Commercial fishing season
- Commercial fishing monitoring (fish health, harvest reporting procedures, additional monitoring that provides increased commercial management flexibility)
- Commercial fishing management framework modifications

Option 2: Further reduce costs

Candidate Programs to be eliminated/reduced:

1. Commercial fisheries marketing & outreach
2. Water quality monitoring, environmental review
3. Further reduce number of buoys marking closure areas
4. License renewal/transfers procedure modification