Tidal Fisheries Advisory Commission Meeting
Commercial Fisheries Cost Recovery

August 15, 2012

AGENDA

- Review of cost recovery analysis and findings
- Discussion of the analysis
- Review recommendations to increase revenue heard by TFAC members to date
- Review current commercial license fee structure
- Discuss fee modifications
- Responses to Commissioner's questions to date are attached

How are Costs Assigned in the Analysis?

- The user group that drives the need for a specific management service pays for it.
  - Inland recreational, tidal recreational, commercial, aquaculture and community

- In the case of community, benefits are given by the value Maryland residents attach to a healthy Chesapeake Bay with live fish. In other words, it is given by the public's willingness to pay for well managed fisheries and for services such as water quality monitoring and environmental review.
  - This willingness to pay may be associated, for example, with option value (i.e. the option to be able to conduct recreational activities in the Bay in the future) or existence value (i.e. even if individuals have no plans to access the Bay at any point in time, but they still care about).
  - Additionally, a small part of the community benefit will come from the consumption of locally harvested seafood. This is the value consumers would be willing to pay, above the price they actually pay, for consuming locally harvested seafood.

- An accurate estimation of these different community estimates is a complex undertaking, and would involve, among other things, a lengthy (and expensive) stated preference study. Such study has not been conducted for this first cost recovery analysis. Rather, the benefits were arrived at using the expertise and experience of the different program managers in Fisheries.

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MARYLAND DEPARTMENT OF NATURAL RESOURCES

Commercial Fisheries Cost Recovery

FY2013 FISHERIES SERVICE BUDGET (Figures in $)	Total ($)	Inland R	Tidal R	Commercial	Commercial Allocation				Aquaculture	Community
					Blue Crab	SB	Oyster	Other		
		$	$	$	$	$	$	$	$	$
QA00 - Headquarters	1,159,683	233,325	267,833	254,643	51,971	51,971	98,730	51,971	140,583	263,299
QA50 - Communications and Marketing	1,003,868	234,577	306,451	208,199	52,125	52,125	52,012	51,936	59,452	195,190
QB00 - Policy and Devlopment	345,753	36,843	73,536	75,119	20,000	21,147	21,147	12,824	9,010	151,245
QC00 - Chesapeake Bay Program	485,427	56,181	97,023	103,546	16,362	17,344	15,868	53,972	0	228,677
QD00 - Permits, Reports and Compliance	924,076	38,833	65,054	722,675	227,948	194,662	77,863	222,202	27,504	70,010
QE00 - Cooperative Oxford Lab	833,262	52,880	154,106	195,576	41,917	45,974	37,790	69,895	52,019	378,681
QF00 - Oyster Disease Research	521,959	23,524	72,402	128,082	4,038	12,074	62,165	49,805	36,972	260,979
QG00 - Fish and Wildlife Health	554,817	3,654	44,579	59,076	801	20,277	572	37,425	3,654	443,853
QH00 - Inland Fisheries Planning	849,038	525,236	163,439	13,261	3,315	3,315	3,315	3,315	13,261	133,842
QI00 - Inland Fisheries Operations	1,254,301	881,216	170,784	0	0	0	0	0	0	202,301
QJ00 - Inland Fisheries - Restoration & Enhance	1,639,537	847,555	216,706	174,722	0	0	26,737	147,985	34,013	366,542
QK00 - F-48-R USF&W Grant	160,823	96,537	14,294	0	0	0	0	0	0	49,992
QL00 - F-53-D USF&W Grant	417,500	410,740	160	0	0	0	0	0	0	6,600
QM00 - Estuarine and Marine Fisheries	278,103	0	53,571	37,071	12,970	12,970	0	11,131	0	187,462
QN00 - Blue Crab Analysis and Monitoring	586,824	0	110,198	393,990	360,015	11,325	11,325	11,325	0	82,636
QO00 - Analysis and Assessment	267,441	13,303	106,098	106,098	5,398	32,392	14,118	54,190	0	41,941
QP00 - F-61-R Chesapeake Finfish USF&W	1,520,764	13,074	533,068	531,684	8,446	269,783	8,446	245,009	3,385	439,553
QR00 - NOAA Eel Grant	137,576	0	11,598	104,382	0	0	0	104,382	0	21,596
QS00 - Coastal Bay	487,654	0	223,396	200,196	15,905	13,393	0	170,899	0	64,061
QT00 - Shellfish Restoration & Management	2,787,132	0	774,613	892,222	130,494	130,494	578,896	52,339	319,495	800,802
QV00 - Piney Point Hatchery	153,113	0	0	15,311	0	0	15,311	0	137,801	0
QW00 - Restoration and Repletion	837,546	0	120,130	591,735	116,087	116,087	329,408	30,152	38,788	86,893
QX00 - Stock Assessment	172,586	0	54,915	63,062	0	0	57,221	5,841	13,109	41,500
QY00 - Aquaculture	484,411	0	3,043	3,043	761	761	761	761	471,563	6,762

Main Findings – FY2014 (July 1, 2013)

- Fisheries has a projected deficit of $2.9 million.
- Community has a has a deficit of $1.8 million
- Commercial sector has a deficit of $2.6 million
- Recreational sector is bringing in $1.5 million than they cost Fisheries Service. This Special funds money will be used to partially cover the deficit in the Community sector that cannot be covered by General Funds.

Main Findings in More Detail

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
% cost recovery through user fees		*58.5%*	*75.3%*	*23.2%*	*3.1%*	
% of cost recovery by Federal, Reimb. & Special Funds		*106.6%*	*118.8%*	*61.7%*	*23.7%*	

GF

SF savings + rec. surplus

How is this deficit covered in 2013?

Recommendations we have received from Commissioners

- Increase seafood marketing surcharge. Currently the marketing program costs an estimated 4x the revenue received from watermen.
- Remove exemptions from the seafood marketing surcharge (Fishing guide, dealer, seafood landing)
- Charge for setting (not registering) a pound net
- Charge crew aboard a sail dredge or oyster boat the oyster surcharge. This would not generate significant revenue but is viewed as a fairness issue.
- Raise the target on certain authorizations to allow more to be sold.

FAQs: Why were costs not assigned based on the number or recreational anglers and watermen?

There are many options when assigning fisheries costs. One can use the numbers of users in each sector (recreational and commercial), the amount of harvest per sector, the amount of money contributed by each sector, or an estimate of the *benefit* received per sector. Australia and New Zealand were the first countries to fully implement cost recovery for fisheries. They used the last option of *benefit per sector.* As the only example of successful cost recovery, MD chose this option for the analysis.

FAQs: What services are being provided to the Commercial industry currently?

A list of Commercial Services is provided in a handout. The costs of many of these services are shared with the recreational and community sectors. The commercial industry receives a partial benefit for the services; therefore they are assigned part of the cost.

FAQs: I don't understand all the different sources of money that are part of Fisheries Budget?

- Special Funds – money from license sales, aquaculture fees, and gas surcharge.
  - revenue: 7.76 million from recreational; 1.57 million from commercial, 14K aquaculture; 1.79 million gas

- Federal Funds
  - A user fee tax on sport fishing tackle purchases administered by US FWS.
  - Grants supported by federal taxes. Not guaranteed. Significant cuts proposed in President's FY13 budget.
    - revenue $8,587,165

FAQs: I don't understand all the different sources of money that are part of Fisheries Budget? (cont'd)

- General Fund- State tax dollars from general public. Varies.
  - revenue $ 4,397,460

- Reimbursable Funds- Revenue from MD Department of Transportation
  - revenue $2,188,988

FAQs: Why are the crab surveys not part of the FY2013 budget?

The specific crab survey line items were removed from the Level 3 QN Blue Crab Program budget, but there remains adequate funding in the FY2013 budget to support continuation of these surveys. The results of the analysis are not expected to change substantially.

FAQs: How much are the blue crab surveys?

Winter dredge survey sampling- 50K / year
Commercial effort survey – 300K / year
Cooperative data collection program- 85K / year

FAQs: Why are the management costs so high in the table of Level 3s for the QN Blue Crab Program?

The table of management costs by Level 3s that was provided to you at the last TFAC meeting included federal blue crab disaster grant funds. As described at the meeting, these funds are considered a one-time fund and as such were subtracted from that program for the analysis. However, that was not visible on the slide. A revised slide will be provided to you tonight.

Commercial Fisheries Cost Recovery

Cost Recovery in Fisheries Management: Best Practices

- Australia and New Zealand were the first countries to fully implement cost recovery.
- Fisheries in these countries are sustainable and profitable.
- Management costs as a percentage of dockside value are low (around 9%).
- We have adopted their approach to cost recovery.

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%
Crab:	6.9%
Finfish:	*11.9%*
Shellfish:	7.5%

Status of DNR Budget

- Department
  - General funds reduced by 40% since FY09
  - Workforce reduced by 30% (124 positions) since FY05
  - Special fund reserve decreasing by about $10 million annually since FY10
    - FY10 - $44 million
    - FY11 - $33 million
    - FY12 - $21 million
    - FY13 - $11 million
    - FY14 – Reserves exhausted