



THE STATE
of **ALASKA**

GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

OFFICE OF THE COMMISSIONER

P.O. Box 110800
Juneau, Alaska 99811-0800
Main: 907.465.2500
TDD: 907.465.5437
Fax: 907.465.5442

January 8, 2013

Mr. Phillip Lestenkof, President
Central Bering Sea Fishermen's Association
P.O. Box 288
St. Paul Island, AK 99660

Dear Mr. Lestenkof,

The State of Alaska has fulfilled its responsibility for the Western Alaska Community Development Quota Program decennial review. After thoughtful review and analysis, a multi-department evaluation team determined the Central Bering Sea Fishermen's Association has maintained or improved its overall performance with respect to the criteria set out in the Magnuson-Stevens Fishery Conservation and Management Act of 2006.

Per state regulations (6 AAC 93.160), please consider this written notice of the State of Alaska's proposed recommendations. State regulations allow a CDQ group to request a hearing regarding the proposed recommendations within 30 days after the date of the state's written notice. If the State of Alaska does not receive a hearing request, the Department of Commerce, Community, and Economic Development, on behalf of the evaluation team, will provide written notice to the National Marine Fisheries Service that the proposed recommendations are final.

Please find enclosed the State of Alaska's decennial review report with additional analysis, discussion, and recommendations for the next review period.

Sincerely,

A handwritten signature in black ink that reads "Susan K. Bell".

Susan K. Bell
Commissioner

Enc: *Community Development Quota Program Decennial Review Report: Central Bering Sea Fishermen's Association*

Cc: Aggie Blandford, Executive Director, Western Alaska Community Development Association
Seanbob Kelly, Fisheries Management Specialist, NOAA/NMFS Alaska Region Sustainable Fisheries
Dianne Blumer, Commissioner, Alaska Department of Labor and Workforce Development
Cora Campbell, Commissioner, Alaska Department of Fish and Game



PREPARED FOR:
CENTRAL BERING SEA FISHERMEN'S ASSOCIATION

COMMUNITY DEVELOPMENT QUOTA PROGRAM DECENNIAL REVIEW REPORT:

CENTRAL BERING SEA FISHERMEN'S ASSOCIATION

INTRODUCTION

The Magnuson-Stevens Fishery Conservation and Management Act of 2006 (hereafter Magnuson-Stevens Act) is the primary federal law governing marine fisheries management in the United States. Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains intact – to promote and protect the domestic fishing industry's harvest of coastal fisheries. Woven throughout the Magnuson-Stevens Act are objectives related to fishery conservation, habitat protection, enforcement of international agreements, maintaining coastal community viability, and achieving optimum yield from each fishery. These objectives are achieved through the establishment of regional fishery management councils and the development of fishery management plans.

Of noteworthy importance for Alaska, the North Pacific Fishery Management Council (NPFMC) established the Western Alaska Community Development Quota (CDQ) Program during 1992, which was later incorporated into the Magnuson-Stevens Act (1996). The CDQ Program was established to ensure Bering Sea fisheries provide economic opportunity for Bering Sea and Aleutian Island communities – including some of the nation's most geographically-isolated and economically-depressed villages. Prior to the passage of the CDQ Program, villages were unable to meaningfully participate in the large-scale commercial seafood industry for a variety of reasons including lack of industry infrastructure, limited workforce skills, and limited financial resources for investing in fishing enterprises. In short, the CDQ Program was established to fulfill the following objectives for 65 Western Alaska villages:

1. Provide opportunity to participate and invest in Bering Sea and Aleutian Island area fisheries;
2. Support economic development;
3. Alleviate poverty and provide economic and social benefits for residents; and
4. Achieve sustainable and diversified local economies.

Fulfilling CDQ Program objectives requires organizational capacity, human capital, and financial investment. The CDQ Program established six regional non-profit entities (hereafter CDQ groups), encompassing 65



villages on the Bering Sea coast, and provided exclusive allocations of harvestable fish stocks to each group, including pollock, crab, and halibut. Unlike many federal government programs which provide direct financial support or social service assistance, the CDQ Program established regionally-driven organizations, provided a high-value harvestable commodity, required local leadership, and directed proceeds to be used for the economic and social benefit of member villages. CDQ groups use fisheries-generated revenue to promote village economic opportunity by creating jobs, building infrastructure, providing social services, and encouraging workforce development through training and scholarships. For over 20 years, the CDQ Program has provided economic opportunity in some of the nation's most isolated and economically-depressed villages.

The Magnuson-Stevens Act also requires a periodic review of CDQ groups to ensure they are fulfilling program objectives. During calendar year 2012, and every ten years thereafter, the State of Alaska is charged with evaluating CDQ group performance. This decennial review includes an evaluation of longitudinal change across four Magnuson-Stevens Act criteria encompassing socioeconomic characteristics, financial performance, workforce development, and implementation of annual harvest plans. This report provides the State of Alaska's overall determination of Central Bering Sea Fishermen's Association (CBSFA) performance, further discusses performance relative to the required criteria, and provides recommendations for reporting future performance.

DECENNIAL REVIEW

During August 2012, the State of Alaska adopted regulations, consistent with the Magnuson-Stevens Act, implementing the state's role in the decennial review. State regulations outline an evaluation process that places substantial burden on the CDQ group for self-evaluation and limits the criteria by which CDQ groups are evaluated. Specifically, CDQ groups are charged with using observable and specific data to measure performance across four primary criteria, required by the Magnuson-Stevens Act. Furthermore, the Magnuson-Stevens Act requires each CDQ group weigh the criteria, for use by the State of Alaska during the evaluation process, in order to reach a final determination of overall organizational performance. To fulfill decennial review obligations, CDQ groups submit decennial review reports summarizing performance across the four criteria and provide needed reference materials to support findings, including financial statements, community development plans, and other supplemental materials.

The State of Alaska fulfilled its decennial review obligation via an interdisciplinary CDQ evaluation team comprised of six officials from the Departments of Fish and Game, Labor and Workforce and Development, and Commerce, Community, and Economic Development. Using CDQ group data, performance standards, relative weighting of criteria, and analysis, the state's role in evaluating CDQ group performance is limited to determining whether the entity:

1. Maintained or improved its overall performance with respect to the criteria; or
2. Has not maintained or improved its overall performance with respect to the criteria.



CRITERION ONE – SOCIOECONOMIC CONDITIONS

Data Sources and Standard

CBSFA provided data sources and standards used to evaluate performance regarding population, poverty, and economic development in its member villages. Data sources included: US Census Bureau's decennial population census data, US Census Bureau's American Community Survey poverty and income data, and employment, wage and population data from the Alaska Department of Labor and Workforce Development. The standard used to measure performance in regards to improving socioeconomic conditions in member communities includes increasing population while decreasing poverty and increasing income, wages, and employment.

Criterion One

- ✓ Changes during the preceding ten-year period in population, poverty level, and economic development in the entity's member villages.

Weight

- ✓ 5 Percent

CBSFA Finding

- ✓ Significant Data Limitations

State of Alaska Determination

- ✓ Maintained or Improved

Evaluation

CBSFA's overall population goal was to increase or maintain total population. Total population for the Central Bering Sea region, which includes only the community of Saint Paul, decreased by a total of 53 residents between 2000 and 2010. It is likely Saint Paul experienced population loss due to the downturn in the snow crab fishery and a continued reduction in US Coast Guard and National Weather Service personnel, which both began in 2000. Population fell to its lowest level in 2007 and then began to recover in 2008 after the total allowable catch of snow crab was increased.

CBSFA's overall poverty goal was to reduce the poverty rate. CBSFA may or may not have succeeded in reducing the poverty rate. Due to inadequate sample sizes and methods, the US Census Bureau's American Community Survey (ACS) has yielded community-level socioeconomic data with significant margins of error that also impact regional-level data. In the case of Saint Paul, error rates are high enough that it is not possible to determine, with reasonable accuracy, whether poverty rates increased or decreased during the review period.

To evaluate economic development, CBSFA considered median household income, per capita income, total wages, and total employment. All of the aforementioned indicators, except median household income, increased during their respective evaluation periods – 1999 to 2006-2010 for median household and per capita income and 2007 to 2010 for total wages and employment. Median household income decreased by \$12,625. Notably, the overall decreasing trend in median household income persists even when ACS error rates are taken into account. In contrast, per capita income increased by \$7,790 over the considered time period. Total wages increased by \$961,081 and Saint Paul added ten new jobs between 2007 and 2010.



Determination

Evaluation of criterion one considers population, poverty, and economic development. CBSFA stated goals for criterion one include increasing population while decreasing poverty and increasing income, wages, and employment. When poverty data is removed from consideration due to its unreliability, five other performance measures remain. CBSFA succeeded in maintaining or improving three of the five remaining performance measures. Considering changes in population, poverty, and economic development as a whole, CBSFA has maintained or improved its overall performance relative to stated criterion one performance standards.

CRITERION TWO – FINANCIAL PERFORMANCE

Data Sources and Standards

CBSFA provided data sources used to evaluate performance, articulated standards by which to measure performance, and described methods to reach a final determination. Data sources originate directly from CBSFA's audited financial statements and are sufficient to determine overall financial performance, including fishery and non-fishery investments. CBSFA also uses data derived from Risk Management Association's (RMA) annual statement studies. Standards used to measure overall financial performance include longitudinal change in investments (i.e., fishery and non-fishery) and net assets including total net assets, change in net assets, return on net assets, and long-term debt to net assets ratio.

Criterion Two

- ✓ Overall financial performance of the entity, including fishery and non-fishery investments by the entity.

Weight

- ✓ 35 Percent

CBSFA Finding

- ✓ Achieved Goals

State of Alaska Determination

- ✓ Maintained or Improved

Evaluation

One-hundred percent of CBSFA investments made during the 2006 to 2010 review period are fisheries-related or in compliance with past practices, as provided by Western Alaska Community Development Association (WACDA) Resolution 2012-01. Over the review period, total investments varied by year ranging from \$95,550 (2006) to \$25.2 million (2008). On average, CBSFA invested \$6.8 million per year. Over the review period, fisheries investments grew by \$34.0 million, representing a 133 percent increase over the five-year period. In an effort to increase revenue while supporting Saint Paul community development, CBSFA made significant investments in fisheries-related infrastructure including: 1) purchase of crab harvesting and processing quota; 2) construction of critical community infrastructure in collaboration with Saint Paul's city and tribal governments; 3) construction of CBSFA's first wholly-owned fishing vessel; and 4) substantial investment in working capital to support the goal of becoming a vertically-integrated seafood company.

Over the review period, CBSFA increased its net assets by \$22.1 million and its total assets by \$35.0 million. CBSFA total net assets increased 74 percent, growing from \$29.6 million in 2006 to \$51.7 million in 2010; an average increase of 15 percent per year. CBSFA maintained an average annual return on net assets of nearly



13 percent, which is notable considering the national recession and prolonged period of economic recovery. During the review period, CBSFA's long-term debt increased from \$11.5 million to \$24.0 million, representing a total increase of \$12.5 million, or 109%. From 2006 to 2010, CBSFA's long-term debt to net assets ranged from 31 percent (2007) to nearly 70 percent (2008).

Determination

Evaluation of criterion two, determining overall financial performance, requires consideration of fishery and non-fishery investments. Given the performance standards employed, including total investments, total net assets, change in net assets, return on net assets, and debt to net assets ratio, it is well-supported CBSFA has maintained or improved its performance relative to criterion two.

CRITERION THREE – WORKFORCE DEVELOPMENT

Data Sources and Standard

CBSFA provided data sources used to evaluate its performance and standards by which it determined it achieved the goals of the workforce development criterion. Data sources originate directly from CBSFA records and are sufficient to determine it has achieved the goal of criterion three – to provide employment, scholarships, and training for the 2006 to 2010 review period.

Evaluation

Over the review period, CBSFA provided employment, scholarships, and training opportunity for Saint Paul residents. Employment – direct and indirect – increased during the review period from 138 jobs in 2006 to 179 jobs in 2010. Wages for these jobs increased by \$2,452,969 during the review period. Nearly all jobs supported by CBSFA went to Saint Paul residents – 84 percent in 2010.

Criterion Three
✓ Employment, scholarships, and training supported by the entity.

Weight
✓ 35 Percent

CBSFA Finding
✓ Achieved Goals

State of Alaska Determination
✓ Maintained or Improved

The number of people receiving CBSFA scholarships over the review period totaled 173 with a total value of \$423,416. The number of scholarships increased by one recipient over the course of the review period from 33 recipients in 2006 to 34 in 2010; expenditures increased by \$13,884. The average scholarship amount per recipient was \$2,447 over the review period.

CBSFA provided a total of 55 individual training opportunities over the course of the review period. Training expenditures from 2006 to 2010 totaled \$40,091. Notably, while total training opportunities decreased over the review period, total training expenditures increased. Individual training opportunities decreased from 44 (2006) to five (2010) while expenditures increased from \$11,079 (2006) to \$15,136 (2010).



Determination

Evaluation of criterion three requires consideration of employment, scholarships, and training. As performance for all but one of the indicators improved over the review period, it is evident given stated performance standards, CBSFA has maintained or improved overall employment, scholarships, and training opportunities for Saint Paul and its residents.

CRITERION FOUR – COMMUNITY DEVELOPMENT PLAN

Data Sources and Standard

Objectives of the community development plan (CDP) are clearly stated: to harvest target species to the maximum extent possible, using certain gear types, while minimizing bycatch. CBSFA provided data sources used for this assessment and the standards by which it determined whether it achieved CDP goals. Provided data sources include groundfish and crab harvest data from the National Marine Fisheries Service (NMFS) and Alaska Department of Fish and Game, respectively, and halibut harvest data from NMFS' Restricted Access Management Program. CBSFA's 2009 and 2010 CDPs were also provided. All of the aforementioned data and sources are appropriate for evaluating performance.

Criterion Four
✓ Achieving the goals of the entity's community development plan.

Weight
✓ 25 Percent

CBSFA Finding
✓ Achieved Goals

State of Alaska Determination
✓ Maintained or Improved

Evaluation

Overall, CBSFA clearly maintained a harvest rate of 100 percent for its primary groundfish species (i.e., pollock and Pacific cod), and rates exceeding 97 percent for its area-specific Aleutian Islands trawl target species (i.e., Atka mackerel and Pacific ocean perch). Sablefish harvest rates were maintained or improved overall. Lower harvest rates were realized in the Bering Sea flatfish target species, but average rates were still reasonable, recognizing the annual variability in the catch limits and limitations in bycatch species necessary to prosecute the target fisheries.

Performance in crab harvests was very strong throughout the review period, with annual harvest rates of 100 percent in Bristol Bay red king crab, Bering Sea *C. opilio* crab, and Eastern Aleutian Islands golden king crab. While success in harvesting the *C. bairdi* crab allocations was mixed, CBSFA showed improvement in 2009, and the fishery was closed in 2010. CBSFA shows clearly that it maintained or improved its ability to prosecute its combined crab allocations over the review period. Similarly, the majority of its halibut allocation (Area 4C) is harvested by residents of St. Paul, ranging from 56 percent to 94 percent of the total halibut catch. CBSFA on average harvested almost 100 percent of its halibut allocation during the review period; CBSFA has met the goal of the CDP with respect to halibut.



WACDA has included a requirement that CDPs include bycatch avoidance plans with respect to the harvest of its share of fishery resources (CDQ Panel Resolution 2010 – 07). CBSFA evaluated its bycatch performance based on whether it stayed within its prohibited species quota (PSQ) allocations during the review period, and utilized Sea State, Incorporated, to monitor groundfish and bycatch limits on a daily basis. Sea State data was regularly cross-referenced with NMFS landing reports. Overall, CBSFA's bycatch equated to a range of 47 percent to 65 percent of its individual crab PSQ allocations; 73 percent of its halibut PSQ allocation; 33 percent of its Chinook salmon PSQ allocation; and 17 percent of its non-Chinook salmon allocation. CBSFA did not exceed any of its annual PSQ allocations during the review period.

Determination

Given the performance standards, CBSFA maintained or improved its performance relative to criterion four.

FINAL DETERMINATION

CBSFA submitted data, stated performance standards for each criteria, and provided analysis and discussion regarding whether performance standards were met. CBSFA's improved performance, across all four criteria, is documented, discussed, and supported by specific and observable data. CBSFA experienced positive growth in nearly all decennial review measurement items including socioeconomic conditions, financial performance, workforce development, and implementation of community development plans. Consequently, the State of Alaska evaluation team concurs with CBSFA's finding that overall performance has maintained or improved for the 2006 to 2010 review period.

Performance Summary

Criteria	Description	Weight	CBSFA Finding	State of Alaska Determination
1	Socioeconomic Conditions	5%	Significant Data Limitations	Maintained or Improved
2	Financial Performance	35%	Achieved Goals	Maintained or Improved
3	Workforce Development	35%	Achieved Goals	Maintained or Improved
4	Community Development Plan	25%	Achieved Goals	Maintained or Improved
Overall		100%	Improved	Maintained or Improved

FUTURE RECOMMENDATIONS

CBSFA's 2006 – 2010 Decennial Review Report included comprehensive data, articulated performance standards, and provided relevant analysis and discussion regarding performance standards. CBSFA's report effectively summarized and supported performance findings across all required criteria. Due to the comprehensive nature of the report, the State of Alaska's evaluation team was able to assess overall performance for the 2006 to 2010 review period and reach a final determination.



For future review periods and associated decennial review reports, it is recommended CBSFA accommodate the following recommendation:

- ✓ Implement a performance evaluation process that is consistent with State of Alaska regulations (6 AAC 93.160) to conclude analysis of criteria with a determination whether the CDQ group: 1) maintained or improved its overall performance with respect to the criteria; or 2) has not maintained or improved its overall performance with respect to the criteria.

