



PREPARED FOR:
NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

COMMUNITY DEVELOPMENT QUOTA PROGRAM

2022 DECENNIAL REVIEW REPORT:

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

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 Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains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 in 1992, which was later incorporated into the Magnuson-Stevens Act in 1996. The CDQ Program was established to ensure that Bering Sea fisheries provide economic opportunity for Bering Sea and Aleutian Island communities. 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. Beginning in calendar year 2012 and recurring 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 performance of the Norton Sound Economic Development Corporation (NSEDC) relative to the required criteria.

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 2022 decennial review obligations, CDQ groups submitted decennial review reports summarizing performance across the four criteria between 2011 and 2020 and provided necessary 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 four 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 Standards

NSEDC 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 and US Census Bureau’s American Community Survey poverty and income data. The standard used to measure performance in regard to improving socioeconomic conditions in member villages includes increasing population while decreasing poverty and increasing income, wages, and employment.

Evaluation

On the issue of population, NSEDC’s goal was to increase or maintain population. While population in some member communities declined, total population for the Norton Sound Region grew by 482 residents, an increase of 5.5%. This outpaced the population growth rate of 2.9% recorded in the prior decennial review period.

NSEDC’s goal in terms of poverty is a reduction in the total poverty rate. Significant data limitations were noted. No data was available for 2011 so NSEDC utilized 2010 data as a starting point. Additionally, significant margins of error, in some cases 70% to over 100% of the figure reported, complicate the ability to analyze data. Despite these limitations, NSEDC determined that 21 fewer individuals lived in households below the federal poverty line, which is an 8.72% decrease across the 2010-2020 time period.

To evaluate economic development, NSEDC considered median household income and per capita income. NSEDC did not evaluate economic development in terms of wage change and total employment, due to the State of Alaska Department of Labor and Workforce Development data source no longer reporting community-level data for all NSEDC member communities across the entire review period. The data that NSEDC did evaluate showed an increase in median household income of \$13,825, or 26.06%, region wide. Likewise, per capita income increased by \$3,888, or 18.71%, region-wide between 2011 and 2020.

Determination

Evaluation of criterion one considers population, poverty, and economic development as a whole. The goals of NSEDC for criterion one include increasing population while decreasing poverty and increasing income, wages, and employment. Despite being unable to quantify economic development data on wages and employment, the other population and economic measurements indicate NSEDC has maintained or improved its performance relative to the performance standards it set out for criterion one.

Criterion One ✓ Changes during the preceding ten-year period in population, poverty level, and economic development in the entity’s member villages.
Weight ✓ 5 points
NSEDC Finding ✓ Improved
State of Alaska Determination ✓ Maintained or Improved



CRITERION TWO – FINANCIAL PERFORMANCE

Data Sources and Standards

NSEDC provided data sources used to evaluate performance, articulated standards by which to measure performance, and described methods utilized to reach a final determination. Data sources originate directly from NSEDC’s audited financial statements and are sufficient to determine overall financial performance, including fishery and non-fishery investments. Standards used to measure overall financial performance include longitudinal change in investments, total net assets, change in net assets, return on net assets, and long-term debt to net assets ratio

Evaluation

Overall, NSEDC maintained steady investment totals. From 2011 to 2020, fishery and non-fishery investments totaled over \$533 million with fishery investments equaling 97.5% of all investment. Fishery-related investments fluctuated throughout the review period with an average annual investment of about \$52 million, which is over twice the annual average of the previous review period. In contrast, non-fishery investments varied from \$159,000 to \$1.7 million on an annual basis; average annual investment totaled over \$1.3 million. During the review period, NSEDC invested in in-region fishery infrastructure including significant investments to their Unalakleet and Nome plants, investment in their greater Bering Sea operations, Community Benefits programs, Consolidated Bulk Fuel program, workforce development opportunities including training and scholarships, and fisheries research and development.

NSEDC’s financial management allowed for continued growth in net assets throughout the review period. From 2011 to 2020, NSEDC’s total net assets grew by nearly 98%, from \$144 million to \$285 million. NSEDC’s strong asset base growth provided opportunity to capitalize on other opportunities including in-region investments like seafood plants and tender vessels as well as investments in greater Bering Sea operations. From 2011 to 2020, return on net assets, as measured by change in net assets divided by average total net assets, ranged from -0.6 percent to 13.6 percent. Long-term debt to net assets ratio, as measured by long-term debt divided by total net assets, ranged from 3.8 percent to 19.8 percent.

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 NSEDC has maintained or improved its performance relative to criterion two.

Criterion Two

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

Weight

- ✓ 30 points

NSEDC Finding

- ✓ Improved

State of Alaska Determination

- ✓ Maintained or Improved



CRITERION THREE – WORKFORCE DEVELOPMENT

Data Sources and Standards

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

Evaluation

Over the review period, NSEDC provided employment, scholarships, and training to individuals in member communities. Employment – direct and indirect – increased over the review period, peaking in 2015 at 634 individuals employed. Total annual wages peaked in 2018 at \$14.1 million. NSEDC employment provided nearly \$107.7 million in income over the review period. Most of the direct jobs supported by NSEDC went to CDQ residents in the region – 94 percent over the review period.

The number of scholarships offered by NSEDC over the review period totaled 2,567 with a total value of \$8 million. The number of scholarships offered per year averaged over 256 and peaked at 285 in 2015. NSEDC noted being unable to attribute this decline to any specific program changes; rather, this regional trend appears to be following nationwide trends.

In total, NSEDC provided 2,782 training opportunities over the course of the review period. Training-related expenditures from 2011 to 2020 totaled nearly \$1.6 million. Training opportunities and accompanying expenditures ranged on an annual basis between 121 individual opportunities at \$36,484 in 2020 (a significantly lower number than preceding years, likely due to impacts from the COVID-19 pandemic) to 379 individual opportunities and \$145,244 in expenditures in 2016. About 12% of these trainings were fisheries related.

Determination

Evaluation of criterion three requires the consideration of employment, scholarships, and training. Based on performance for each of the three indicators over the review period, it is evident that NSEDC has maintained or improved employment, increased scholarships, and increased training opportunities for CDQ region member communities.

Criterion Three

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

Weight

✓ 35 points

NSEDC Finding

✓ Improved

State of Alaska Determination

✓ Maintained or Improved

CRITERION FOUR – COMMUNITY DEVELOPMENT PLAN

Data Sources and Standards

Objectives of the community development plan (CDP) are to maximize the harvest of groundfish, halibut, and crab target species while minimizing the harvest of prohibited species (bycatch) to the extent practicable. NSEDC provided data sources used for this assessment and the standards by which it determined whether it achieved CDP goals. Provided data sources include data from the National Marine Fisheries Service (NMFS) and crab harvest data from the Alaska Department of Fish and Game (ADFG). Additionally, NSEDC provided their 2011-2020 CDPs. These data sources are appropriate for evaluating performance.

Criterion Four

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

Weight

✓ 30 points

NSEDC Finding

✓ Improved

State of Alaska Determination

✓ Maintained or Improved

Evaluation

Overall, NSEDC maintained a high harvest rate (over 94% on average, up from 90% in the previous review period) for its primary groundfish species (i.e., pollock, Pacific cod, sablefish, and Atka mackerel). Compared to the previous review period, NSEDC achieved a higher (90% or more) harvest rate of Pacific ocean perch and yellowfin sole, in large part due to a harvesting partnership with Glacier Fish Company, a subsidiary company. The only case of decreasing harvest utilization for NSEDC in the review period was with sablefish in the Bering Sea and Aleutian Islands. This trend was seen across the entire industry as the harvest of sablefish saw drops in efficiency due to whale depredation.

Performance in crab harvests was strong throughout the review period, averaging 99-100% harvest rates in Bristol Bay red king crab, Bering Sea *C. opilio* and *C. bairdi* crab, and Aleutian Islands golden king crab. One of the most important crab fisheries for NSEDC is the Norton Sound red king crab fishery. NSEDC makes this quota available exclusively for member community residents to harvest. NSEDC had 100% harvest of their quota in all years but one where the fishery was open, resulting in an average harvest of 92%. NSEDC clearly illustrates it maintained or improved its ability to prosecute its combined crab allocations over the review period.

Residents of NSEDC's member communities have harvested almost its entire annual halibut allocation, without exceeding the annual allocations, during the review period. From a harvest rate of 95 percent in the last review period to a rate of almost 97 percent in this review period, NSEDC has clearly improved their harvest performance 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). NSEDC encourages gear modifications and continued development of avoidance measures to reduce unintended harvest of non-target species. NSEDC evaluated its bycatch performance based on whether it stayed within its prohibited species quota (PSQ) allocations during the review period. Overall, NSEDC's bycatch equated to a range of 16 to 35 percent of its



individual crab PSQ allocations, 73 percent of its halibut PSQ allocation, 21 percent of its Chinook salmon PSQ allocation, and 33 percent of its non-Chinook salmon allocation. An important note made by NSEDC regarding bycatch is that the focus of reduction of PSQ catch for one species may negatively impact the encounter rate of another. PSQ limits for the CDQ Program dropped in 2016 for halibut, and therefore avoidance of that species became a more critical determinant in the decision-making of the harvesting vessel in where to fish. With a greater emphasis placed on fishing where halibut were not present, it became more likely that other PSQ species may be taken as a result.

Determination

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

FINAL DETERMINATION

NSEDC submitted data, stated performance standards for each criteria, and provided analysis and discussion regarding whether performance standards were met. NSEDC’s self-evaluation determined that they have maintained or improved performance across all four criteria including socioeconomic conditions, financial performance, workforce development, and implementation of community development plans. This determination is documented, discussed, and supported by specific and observable data. Consequently, the State of Alaska evaluation team concurs with NSEDC’s finding that overall performance has maintained or improved for the 2011 to 2020 review period.

Determination Summary

Criteria	Description	Weight	NSEDC Determination	State of Alaska Determination
1	Socioeconomic Conditions	5 points	Improved	Maintained or Improved
2	Financial Performance	30 points	Improved	Maintained or Improved
3	Workforce Development	35 points	Improved	Maintained or Improved
4	Community Development Plan	30 points	Improved	Maintained or Improved
Overall		100 points	Maintained or Improved	Maintained or Improved

