



PREPARED FOR:
COASTAL VILLAGES REGION FUND

COMMUNITY DEVELOPMENT QUOTA PROGRAM

2022 DECENNIAL REVIEW REPORT:

COASTAL VILLAGES REGION FUND

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 Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains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 Coastal Villages Region Fund (CVRF) 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

CVRF 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, Alaska Permanent Fund application 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 regard to improving member village socioeconomic conditions 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

✓ 25 percent

CVRF Finding

✓ Improved

State of Alaska Determination

✓ Maintained or Improved

CVRF noted margins of error so large in some of the datasets utilized, notably the American Community Survey (ACS) surveys measuring poverty and income, that the data is largely useless for analysis. However, CVRF was able to lean on data from the State of Alaska’s Department of Labor to fill in data gaps in areas such as the number of workers and total wages paid in each community.

Evaluation

CVRF’s population goal was to increase or maintain total regional population. Population grew in all but two regional communities. Between 2010 and 2020, regional population increased by 1,220 people, or 14.2%. CVRF noted that the region’s full-time resident population is growing faster than any other CDQ region.

CVRF’s poverty goal was to reduce the regional poverty rate. It is difficult to determine if CVRF succeeded in this regard due to very large margins of error in ACS poverty data for Western Alaska. Despite shortcomings of the data, CVRF estimated that 10 of their 20 communities lowered their poverty level during the review period.

To evaluate economic development, CVRF considered median household income, per capita income, total wages, and total employment. Median household income data was unavailable for three of the CVRF’s member communities; the data available showed an increase in median household income in 9 communities and decrease in 7. Data on per capita income showed an increase in per capita income in 14 out of 18 communities for which data was available and a decrease in 6. Some communities, it is noted, had exceptionally large margins of error in the data. Total wages and employment both increased between 2010 and 2020. The total number of workers who listed a CVRF community as their residence increased by 253 over the time period (a 6.4% increase), and total wages increased by \$11.2 million, or 18.9%.



Determination

Evaluation of criterion one considers population, poverty, and economic development as a whole. The goals of CVRF for criterion one include increasing population while decreasing poverty and increasing income, wages, and employment. Despite data limitations, all measurements indicate CVRF has maintained or improved its performance relative to stated criterion one performance standards.



CRITERION TWO – FINANCIAL PERFORMANCE

Data Sources and Standards

CVRF 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 CVRF’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 fishery and non-fishery investments, total net assets, change in net assets, return on net assets, and long-term debt to net assets ratio.

Evaluation

One hundred percent of CVRF’s investments made during the 2011 to 2020 review period are fisheries-related or in compliance with past practices, as provided by Western Alaska Community Development Association (WACDA) Resolution 2012-01. CVRF’s total investments per WACDA definition averaged \$91.6 million per year between 2011 and 2020. In terms of Total Investments per Audited Financial Statements, CVRF’s investment balances have averaged \$256.1 million per year. Their investment make-up is heavily influenced by their status as direct owner/operators of their own Bering Sea Fleet. Prior to 2010, CVRF was a more passive investor, leasing their CDQ quota to other operators. But beginning with the acquisition of the SeaBoats Crab Fleet in 2008 and continuing in 2010 following their redemption and divesture from American Seafoods, they have become a direct industry participant. Over the decennial review period, their total investments increased by \$1.6 million total.

CVRF’s total net assets have been on an upward trajectory over the decennial review period, increasing from just under \$250 million in 2011 to over \$270 million in 2020. Not including program spending, CVRF has produced a 6.7% return on assets for the period 2011 to 2020. CVRF’s ratio of long-term debt to net assets has decreased dramatically over the review period – dropping from just over 1.6 in the first half of the ten-year period to zero in the second half after all debt was paid in full in 2017.

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 CVRF 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

- ✓ 25 percent

CVRF Finding

- ✓ Improved

State of Alaska Determination

- ✓ Maintained or Improved



CRITERION THREE – WORKFORCE DEVELOPMENT

Data Sources and Standards

CVRF 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 CVRF records and are sufficient to determine it has achieved the goal of criterion three – to provide employment, scholarships, and training for the 2011 to 2020 review period.

Evaluation

Over the review period, CVRF provided employment, scholarships, and training to individuals in member communities. CVRF’s in-region employment grew substantially during the review period, driven by community service center expansions and a popular mechanic/welder program. CVRF’s new housing program also contributed to job growth. In-region and total employment dropped significantly in 2020 as a result of the COVID-19 pandemic. Nearly 70 percent of all CVRF jobs were held by member community residents during 2020, a four percent increase from 2010.

During the decennial review period, CVRF invested \$3.9 million in scholarships and training for residents and employees. Program highlights include Youth-to-Work, a seasonal youth employment program, which saw a four-fold increase in participants between 2011 and 2019. CVRF’s scholarship fund aids residents pursuing higher education, vocational school, or certificate programs. In the last several years, CVRF has awarded an average of 100 scholarships annually; in 2020, scholarships and training awards totaled more than \$401,000.

A training program highlight includes the Honda Warranty Repair Program. In 2019, CVRF established a Honda warranty service center at CVRF shops in Eek, Kipnuk, and Scammon Bay and sent several mechanics to an out-of-state training to become certified technicians. This program aims to add critical skill sets in the region’s communities where residents depend on power equipment for access to subsistence resources.

Determination

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

Criterion Three
✓ Employment, scholarships, and training supported by the entity.
Weight
✓ 25 percent
CVRF 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. CVRF 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 and the Alaska Department of Fish and Game. Additionally, CVRF 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

✓ 25 percent

CVRF Finding

✓ Achieved

State of Alaska Determination

✓ Maintained or Improved

Evaluation

CVRF achieved 96% utilization of its pollock allocation throughout the review period. Pollock is the most valuable fishery in the CDQ program, accounting for about 70% of CVRF's total revenues. For its other primary groundfish species, CVRF maintained high harvest rates ranging from 83-97% for its Pacific cod allocations and 91-96% for its Atka mackerel allocations. CVRF had more variable harvest rates in their other species allocations including sablefish, sole, and Pacific ocean perch.

Performance in crab harvests was generally strong throughout the review period, with 100 percent harvest rates in Bristol Bay red king crab, Bering Sea *C. opilio* crab, Eastern Bering Sea *C. bairdi* crab, and Aleutian Islands golden king crab. During the review period, CVRF harvested practically all its CDQ crab quota for the major crab fisheries, further maximizing its value and increasing revenues by marketing and selling the product to wholesalers under their own brand. More modest utilization rates between 82-92% were realized in Western Bering Sea *C. bairdi* and Saint Matthew blue king crab fisheries; both fisheries were closed for 5 out of the 10 years in the review period.

CVRF receives CDQ halibut quota for Area 4D and 4E. Early in the review period, CDQ halibut quota was made available to in-region fishermen and processed at the Goodnews Bay facility in Platinum. When CVRF transitioned their benefits programs to a more equitable model, resulting in the Platinum plant's closure, it began leasing halibut quota, generating revenue for their region-wide benefits programs. Average utilization rate of combined halibut quota over the review period was a modest 62%.

WACDA has included a requirement that CDPs include the CDQ entity's bycatch avoidance plans with respect to the harvest of its share of fishery resources (CDQ Panel Resolution 2010 – 07). In its CDP, CVRF provides the basis for its bycatch avoidance plan: daily catch monitoring and bycatch rate 'triggers' that, when reached, affect operations (e.g., vessels must move to a different area, adjust gear, or stop fishing).



CVRF appears to have effectively utilized its prohibited species quota (PSQ) allocations during the review period. They achieved high utilization rates for most primary CDQ groundfish target species, made possible with low utilization rates of groundfish and crab PSQ. Overall, CVRF’s bycatch equated to a very low range of 1.1 percent to 5.2 percent of its individual crab PSQ allocations; 58 percent of its halibut PSQ allocation; and 25 percent of its Chinook salmon PSQ allocation. CVRF also provided data relative to its bycatch of non-Chinook (i.e., chum) salmon (2.9%). Halibut bycatch during the review period occurred mainly in CVRF’s longline Pacific cod operations and in the Amendment 80 sector, where they lease their CDQ flatfish allocation. Halibut bycatch avoidance is a priority for their Pacific cod vessels. Likewise, CVRF has maintained oversight and close monitoring of bycatch in the crab fisheries, which has resulted in very low crab bycatch rates.

Determination

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

FINAL DETERMINATION

CVRF submitted data, stated performance standards for each criterion, and provided analysis and discussion regarding whether performance standards were met. CVRF’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 CVRF’s finding that overall performance has maintained or improved for the 2011 to 2020 review period.

Determination Summary

Criteria	Description	Weight	CVRF Determination	State of Alaska Determination
1	Socioeconomic Conditions	25 percent	Improved	Maintained or Improved
2	Financial Performance	25 percent	Improved	Maintained or Improved
3	Workforce Development	25 percent	Improved	Maintained or Improved
4	Community Development Plan	25 percent	Achieved	Maintained or Improved
Overall		100 percent	Improved	Maintained or Improved

