THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Commerce, Community, and Economic Development

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January 8, 2013

Mr. Robin Samuelsen
President and Chief Executive Officer
Bristol Bay Economic Development Corporation
P.O. Box 1464
Dillingham, Alaska 99576-1464

Dear Mr. Samuelsen,

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 Bristol Bay Economic Development Corporation 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,

Susan K. Bell
Commissioner

Enc: *Community Development Quota Program Decennial Review Report: Bristol Bay Economic Development Corporation*

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:
BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION

COMMUNITY DEVELOPMENT QUOTA PROGRAM DECENNIAL REVIEW REPORT:

BRISTOL BAY 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 Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains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 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 Bristol Bay Economic Development Corporation (BBEDC) 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

BBEDC 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 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
- ✓ 10 Points

BBEDC Finding
- ✓ Maintained or Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

BBEDC's overall population goal was to increase or maintain total regional population. Over the review period, total regional population declined by 73 residents in 17 member communities. Recent Institute of Social and Economic Research (ISER) research indicates there are several factors causing regional population loss, most of which are out of BBEDC's control. Considering the region experienced minimal population loss, BBEDC finds the population standard to have generally maintained over the review period.

BBEDC's overall poverty goal was to reduce the regional poverty rate. BBEDC 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 has yielded socioeconomic data with significant margins of error. In the case of BBEDC communities, 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, BBEDC considered median household income, per capita income, total wages, and total employment. All of the aforementioned indicators 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 increased by $26,329 and per capita income increased by $8,580 over the considered time period. Total wages increased by $5,555,226 and the BBEDC region added 18 new jobs between 2007 and 2010.

Determination

Despite being unable to reliably quantify poverty data, all other population and economic measurements indicate BBEDC has maintained or improved its performance relative to criterion one standards including maintaining population, decreasing poverty, and increasing economic development.

CRITERION TWO – FINANCIAL PERFORMANCE

Data Sources and Standards

BBEDC 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 BBEDC'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 (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
- ✓ 40 Points

BBEDC Finding
- ✓ Maintained or Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

One-hundred percent of BBEDC's 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, BBEDC has made significant investments in fisheries-related infrastructure including: 1) purchase of 50 percent interest in three limited liability corporations including Alaskan Leader Vessel, Alaskan Leader Fisheries, and Alaskan Leader Seafoods (2006); 2) purchase of 50 percent interest in Ocean Beauty Seafoods (2007); and 3) purchase of 40 to 50 percent interest in three additional crab vessels and associated fishing quota. Notably, BBEDC also sold its directly-owned 49 percent share of a pollock vessel to a 50 percent BBEDC-owned company (2008). Over the review period, total investments varied by year with significant gains during 2006, 2007, and 2010 and national recession-driven losses during 2008 and 2009. On average, BBEDC invested nearly $10 million per year.

Over the review period, BBEDC total net assets increased 56 percent; an average of eleven percent per year. BBEDC indicates consistent year-to-year increases in total net assets are a result of successful efforts to maximize quota revenue. BBEDC maintained an average annual return on net assets of 12 percent, which is notable considering the national recession and prolonged period of economic recovery. From 2006 to 2010, BBEDC's long-term debt to net assets ratio ranged from one percent (2006) to 24 percent (2007). BBEDC has experienced low long-term debt to net assets ratios with the exception of 2007. BBEDC purchased a 50 percent share in Ocean Beauty Seafoods during 2007 and retired most of the debt by 2010.

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

CRITERION THREE – WORKFORCE DEVELOPMENT

Data Sources and Standard

BBEDC 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 BBEDC 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.

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

Weight
- ✓ 25 Points

BBEDC Finding
- ✓ Maintained or Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

Over the review period, BBEDC provided employment, scholarships, and training to individuals in the member communities. Employment – direct, indirect, and paid fishermen – increased during the review period from 241 jobs in 2006 to 709 jobs in 2010. Wages for direct jobs increased by over $425,500; data for indirect wages is not available. Nearly all direct jobs supported by BBEDC went to CDQ residents in the region – 95 percent in 2010.

The number of people receiving BBEDC scholarships over the review period totaled 982 with a total value of almost $1.9 million. The number of scholarships increased over the course of the review period from 133 recipients in 2006 to 242 in 2010, and scholarship expenditures increased by approximately $182,000. The average scholarship amount per recipient was $1,955 over the review period.

BBEDC provided a total of 2,240 individual training opportunities over the course of the review period. Training expenditures from 2006 to 2010 totaled $1.6 million. Training opportunities and accompanying expenditures grew over the review period from 382 individual opportunities at $146,387 in 2006 to 599 individual opportunities at $399,723 in 2010.

Determination

Evaluation of criterion three requires consideration of employment, scholarships, and training. As performance for each of the three indicators improved over the review period, it is evident given the performance standards set out, BBEDC has maintained or improved employment, scholarships, and training opportunities for the region's member communities and residents.

CRITERION FOUR – COMMUNITY DEVELOPMENT PLAN

Data Sources and Standard

Objectives of the community development plan (CDP) are clearly stated: to harvest allocations to the maximum extent practicable, in accordance with applicable regulations, while avoiding bycatch to the maximum extent practicable. BBEDC provided data sources used for this assessment and the standards by which it determined whether it achieved CDP goals. Provided data sources include historic BBEDC program information, including 2009 and 2010 CDPs, and associated catch records. While BBEDC did not specify the catch record sources, it was possible to verify records are generally consistent with the National Marine Fisheries Service (NMFS) catch accounting database. In sum, aforementioned data is appropriate for evaluating performance.

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

Weight
- ✓ 25 Points

BBEDC Finding
- ✓ Maintained or Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

BBEDC met CDP objectives during the review period. To help meet objectives, BBEDC reserves a small amount of quota not allocated to harvesters to ensure overages do not occur due to overharvest or post-season adjustments to observer data.

Overall, BBEDC maintained a high harvest rate (100%) for its primary groundfish species (i.e., pollock and Pacific cod), while improving performance in sablefish and target groundfish species in the Aleutian Islands. Over the review period, harvest rates in Bering Sea flatfish species were generally maintained, recognizing that harvest rates declined for some species due to the annual variability in catch limits and increases in total allowable catch.

Performance in crab harvests was generally strong throughout the review period, averaging 100 percent harvest rates in Bristol Bay red king crab, Bering Sea *C. opilio* crab, and Eastern Aleutian Islands golden king crab. BBEDC clearly maintained its ability to fully harvest these allocations over the review period. Similar to other groups, lower rates were realized in Bering Sea *C. bairdi* and Saint Matthew blue king crab fisheries, the latter of which was closed from 2006 through 2008 under a rebuilding plan. Similar to other reports, *C. bairdi* crab were difficult to find throughout the review period, and the fishery was closed in 2010. BBEDC improved its ability to prosecute Saint Matthew blue king crab during the last year of the review period compared to 2009, recognizing that there was no fishery 2006, 2007, and 2008.

Residents of BBEDC member communities harvest their halibut allocation in both Area 4D and Area 4E. During the review period, BBEDC has maintained or improved its performance relative to halibut. Almost 100 percent of the BBEDC's Area 4D halibut allocation has been harvested in each year. Much lower harvest

rates were realized in the Area 4E fishery, which were explained through the timing of the fishery relative to sea ice and available markets.

WACDA included a requirement that CDPs include a 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, BBEDC provides the basis for its bycatch avoidance plan: daily catch monitoring and avoidance of periods and areas with known high bycatch rates. If established trigger bycatch rates are reached, harvesters are required to make adjustments (e.g., vessels must move to a different area, adjust gear, or stop fishing).

BBEDC evaluated its bycatch performance based on whether it stayed within its prohibited species quota (PSQ) allocations during the review period. Overall, BBEDC's bycatch equated to a range of five percent to 18 percent of its individual crab PSQ allocations; 48 percent of its halibut PSQ allocation; and 63 percent of its Chinook salmon PSQ allocation. BBEDC also provided data relative to its bycatch of non-Chinook (i.e., chum) salmon (17%). The only PSQ allocation that was exceeded during the review period was Chinook salmon in 2007, a very high year of Chinook bycatch in both the CDQ and non-CDQ Bering Sea pollock fisheries.

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

FINAL DETERMINATION

BBEDC submitted data, stated performance standards for each criteria, and provided analysis and discussion regarding whether performance standards were met. BBEDC's maintained or improved performance, across all four criteria, is documented, discussed, and supported by specific and observable data. BBEDC 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 BBEDC's finding that overall performance has maintained or improved for the 2006 to 2010 review period.

Performance Summary

Criteria	Description	Weight	BBEDC Finding	State of Alaska Determination
1	Socioeconomic Conditions	10 Points	Maintained or Improved	Maintained or Improved
2	Financial Performance	40 Points	Maintained or Improved	Maintained or Improved
3	Workforce Development	25 Points	Maintained or Improved	Maintained or Improved
4	Community Development Plan	25 Points	Maintained or Improved	Maintained or Improved
Overall		**100 Points**	**Maintained or Improved**	**Maintained or Improved**

FUTURE RECOMMENDATIONS

BBEDC's *2006 – 2010 Decennial Review Report* included comprehensive data, articulated performance standards, and provided logical analysis and discussion regarding performance standards. BBEDC's report effectively summarized and supported BBEDC's 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. The evaluation team has one recommendation for reporting during the next review period (2010 to 2020): provide all data sources for catch records. While BBEDC catch records are generally consistent with NMFS' catch accounting database, all sources should be identified by the CDQ group and verifiable by the evaluation team. The evaluation team has no further recommendations regarding data, methods, or presentation of analysis for the next review period, 2010 to 2020.