THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Commerce, Community, and Economic Development

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January 8, 2013

Mr. Ragnar Alstrom
Executive Director
Yukon Delta Fisheries Development Association
1016 West Sixth Avenue, Suite 301
Anchorage, AK 99501

Dear Mr. Alstrom,

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 Yukon Delta Fisheries Development 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 and discussion.

Sincerely,

Susan K. Bell
Commissioner

Enc: *Community Development Qouta Program Decennial Review Report: Yukon Delta Fisheries Development 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:
YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION

COMMUNITY DEVELOPMENT QUOTA PROGRAM DECENNIAL REVIEW REPORT:

YUKON DELTA FISHERIES DEVELOPMENT 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 Although originally enacted as the Fishery Conservation and Management Act of 1976 and amended multiple times through the decades, the original intent of the Magnuson-Stevens Act remains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 Yukon Delta Fisheries Development Association (YDFDA) 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

YDFDA 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 or maintaining 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
- ✓ 40 Percent

YDFDA Finding
- ✓ Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

YDFDA's overall population goal was to increase or maintain total regional population. Despite population decline in several member communities, total regional population for the Yukon Delta area increased by a total of 165 residents in six member communities from 2006 to 2010. Due to overall growth in regional population, population is determined to have maintained.

YDFDA's goal in terms of poverty is a reduction in the total poverty rate. YDFDA may or may not have succeeded in reducing the poverty rate according to US Census Bureau data. Due to inadequate sample sizes and methods, the US Census Bureau's American Community Survey yielded socioeconomic data with significant community-level margins of error that also negatively impacted regional-level data. In the case of YDFDA member 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 of time.

To evaluate economic development, YDFDA considered median household income, per capita income, total wages, and total employment. All 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 $12,288 and per capita income increased by $4,084 over the considered time period. Total wages increased by $4,513,658 and the YDFDA area added 169 new jobs between 2007 and 2010. Date ranges vary due to data availability and comparability challenges.

Determination

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

CRITERION TWO – FINANCIAL PERFORMANCE

Data Sources and Standards

YDFDA 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 YDFDA'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
- ✓ 30 Percent

YDFDA Finding
- ✓ Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

One-hundred percent of YDFDA'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, total investments varied by year ranging from $3.7 million (2006) to $11.3 million (2008). On average, YDFDA invested $7.8 million per year. Over the review period, YDFDA increased investments nearly 82 percent.

Over the review period, YDFDA's total net assets increased 38 percent, growing from $45.6 million in 2006 to $63.0 million in 2010. While total net assets grew between 2006 and 2010, 2009 yielded one-year negative net asset returns (-3.3%) largely due to YDFDA continuing to fund in-region programs at normal levels while weathering the national recession and prolonged period of economic recovery. Despite the one-year setback, YDFDA significantly increased total net assets in four of five years.

YDFDA maintained an average annual return on net assets of ten percent; ranging from negative three percent (2009) to 18 percent (2006). YDFDA considers a ten percent average annual return and general positive trend in return on net assets a success considering current national economic times. During 2006, YDFDA carried $1.0 million in long-term debt, equivalent to approximately two percent long-term debt to net assets ratio. One year later, YDFDA retired the debt (2007) and did not incur debt for 2008, 2009, and 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 YDFDA has maintained or improved its performance relative to criterion two.

CRITERION THREE – WORKFORCE DEVELOPMENT

Data Sources and Standard

YDFDA 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 YDFDA 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
- ✓ 20 Percent

YDFDA Finding
- ✓ Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

Over the review period, YDFDA provided employment, scholarships, and training to individuals in member communities. Employment – direct and indirect – increased during the review period from 340 jobs in 2006 to 452 jobs in 2010. Total wages paid for direct and indirect jobs increased by over $607,228. Data regarding total quantity of jobs held by in-region residents were not provided.

The number of people receiving YDFDA scholarships totaled 360 and over $1 million during the review period. The number of scholarships decreased over the course of the review period from 82 recipients in 2006 to 63 in 2010; total scholarship expenditures decreased by $20,812. The average scholarship amount per recipient was $2,819 over the review period.

YDFDA provided a total of 285 individual training opportunities over the course of the review period. From 2006 to 2010, training expenditures totaled $601,011. Training opportunities and accompanying expenditures declined over the review period from 93 individual opportunities totaling $186,702 in 2006 to 38 individual opportunities totaling $7,819 in 2010.

Determination

Evaluation of criterion three requires consideration of employment, scholarships, and training. Employment performance improved over the review period while scholarship and training performance declined. Although total scholarships and training opportunities decreased, YDFDA consistently provided opportunities on both fronts. YDFDA also weighted criterion three scholarship and training subcomponents substantially lower than employment. Given the performance standards set out, YDFDA has maintained or improved criterion three performance.

CRITERION FOUR – COMMUNITY DEVELOPMENT PLAN

Data Sources and Standard

Objectives of the community development plan (CDP) are clearly stated: to maximize the overall harvest of quota and minimize non-target catch to the greatest extent practicable. More specifically, YDFDA prioritized maximizing harvest of its most valuable species (i.e., pollock, Pacific cod, crab, and halibut). YDFDA provided CDPs for 2009 and 2010 and the data sources used to evaluate harvest rates during the evaluation period: groundfish harvest and allocations originated from the National Marine Fisheries Service (NMFS) catch accounting database, crab harvest and allocations were from the Alaska Department of Fish and Game, and halibut harvest and allocation data were obtained from NMFS's Restricted Access Management Program. All data and sources are appropriate for evaluating criterion four performance.

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

Weight
- ✓ 10 Percent

YDFDA Finding
- ✓ Improved

State of Alaska Determination
- ✓ Maintained or Improved

Evaluation

Harvest data from 2006 to 2010 were provided to support YDFDA's determination that it maintained performance with respect to the CDP during the review period. Overall, YDFDA harvested almost 100 percent of its pollock allocation and 96 percent of its Pacific cod allocation, and realized high harvest rates (94% to 97%) in its target Atka mackerel fisheries. YDFDA also maintained relatively high harvest rates of Pacific Ocean perch during the review period, averaging 85 percent to 88 percent of its area-specific Aleutian Island allocations. Harvest rates in Bering Sea flatfish species, notably yellowfin sole, rock sole, and flathead sole, decreased or were relatively low, which was in part attributed to significant increases in the total allowable catches and difficulty in attracting harvest partners.

Crab harvest performance was very strong throughout the review period, averaging 100 percent harvest rates in Norton Sound red king crab, Bristol Bay red king crab, Bering Sea *C. opilio* crab, and Aleutian Islands golden king crab. YDFDA clearly maintained its excellent performance with regard to the ability to fully harvest these allocations. 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. YDFDA improved its ability to prosecute Saint Matthew blue king crab in the last year of the review period.

Member community residents harvest the group's Area 4D halibut allocation. YDFDA has clearly maintained its performance relative to halibut during the review period by maintaining a harvest rate of 100 percent.

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). In its CDP, YDFDA provides the basis

for its bycatch avoidance plan during the review period. At the beginning of the fishing year, bycatch allocations are set aside for all target fisheries, which are then further allocated to the vessel level. Quota is managed on a daily basis, and if a target species or bycatch species allocation is projected to be exceeded, the allocation may be modified or the vessel will be ordered to cease fishing.

YDFDA evaluated its bycatch performance based on whether it minimized, to the greatest extent possible, the catch of its prohibited species quotas (PSQ). Overall, YDFDA's bycatch equated to a range of 17 percent to 28 percent of its individual crab PSQ allocations, and 44 percent of its halibut PSQ allocation. YDFDA exceeded its Chinook salmon PSQ allocation by 74 percent on average during the review period, driven by overages in three of the five years. YDFDA showed improvement after 2007, and harvested 15 percent of its Chinook salmon PSQ allocation in 2010. YDFDA also exceeded its allocation of chum salmon in 2006, but stayed well below its allocations in the remainder of the review period.

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

FINAL DETERMINATION

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

Performance Summary

Criteria	Description	Weight	YDFDA Finding	State of Alaska Determination
1	Socioeconomic Conditions	40%	Improved	Maintained or Improved
2	Financial Performance	30%	Improved	Maintained or Improved
3	Workforce Development	20%	Improved	Maintained or Improved
4	Community Development Plan	10%	Improved	Maintained or Improved
Overall		**100%**	**Improved**	**Maintained or Improved**

FUTURE RECOMMENDATIONS

YDFDA's *2006 – 2010 Decennial Review Report* included comprehensive data, descriptive performance standards, and relevant analysis and discussion regarding performance standards. Furthermore, YDFDA'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. The evaluation team has no further recommendations regarding data, methods, or presentation of analysis for the next review period, 2010 to 2020.