



MEMORANDUM

To: Bruce Twomley, Chair
Ben Brown, Commissioner

Date: February 19, 2015

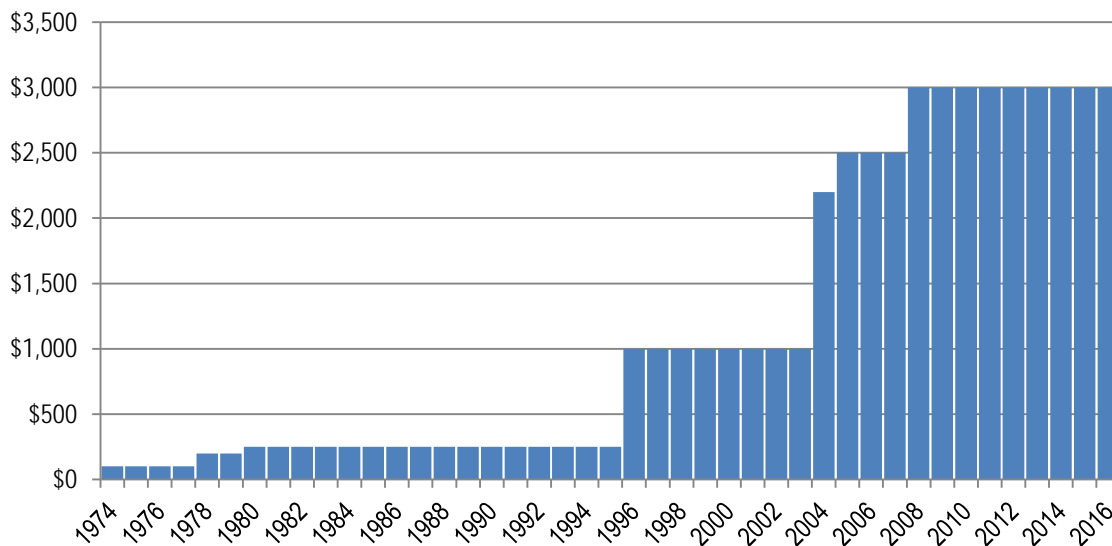
Subject: Permit Fee Ceiling Increase

From: Marcus Gho, Economist, CFEC

This memorandum was created to describe the opportunity cost of having a \$3,000 fee ceiling. This fee ceiling for 2016 decreases the expected fee revenue for 2016 from \$9.1 million to \$6.9 million, which is a loss of approximately \$2.2 million in fee revenue.

Fees are established to reasonably reflect the different rates of economic return for the fisheries. All of the fisheries in the \$3,000 fee class use interim-use permits. Interim-use permit fees are based on 2/5 of 1% of average earnings over the most recent three years of fishing,¹ with a fee cap of \$3,000.²

Figure 1. Maximum Resident Fee Assessed CFEC Permit Holders



Historically, the fee cap has increased multiple times. From 1974 to 1977, the highest resident fee was \$100. For the years 1978 to 1981 it was \$200. From 1980 to 1995 the maximum fee was \$250. Between 1996 and 2003 the maximum resident fee was \$1,000. For the years 2005 to 2007, the maximum fee allowed was \$2,500. Starting in 2008, the maximum fee again increased to \$3,000 where it currently is as of now.

¹ See 20 AAC 05.245 (a) (2)

² See AS 16.43.160 (c) and 20 AAC 05.245 (a) (4).

For permit year 2016, we estimate that 508 permits will be renewed in the highest fee category (fee class 40; \$3,000).³ Table 1 indicates the estimated number of permits by fee class and foregone revenue for a fee structure without a fee ceiling.

Table 1. 2016 Fees Without a Fee Ceiling

Calculated Fee Class	Calculated Fee	Estimated Permits	Fee %		Calculated Fee Class	Calculated Fee	Estimated Permits	Fee %	
			2/5 of 1% (typical)	With Fee Cap				2/5 of 1% (typical)	With Fee Cap
177	\$13,275	129.2	0.40%	0.09%	57	\$4,275	62.0	0.40%	0.28%
136	\$10,200	6.8	0.40%	0.12%	53	\$3,975	2.6	0.40%	0.28%
91	\$6,825	85.4	0.40%	0.18%	52	\$3,900	7.4	0.40%	0.30%
86	\$6,450	98.2	0.40%	0.19%	48	\$3,600	1.0	0.40%	0.31%
70	\$5,250	2.4	0.40%	0.23%	47	\$3,525	4.0	0.40%	0.33%
63	\$4,725	7.6	0.40%	0.25%	46	\$3,450	65.6	0.40%	0.34%
61	\$4,575	2.0	0.40%	0.26%	45	\$3,375	4.0	0.40%	0.35%
60	\$4,500	1.0	0.40%	0.27%	43	\$3,225	26.0	0.40%	0.35%
58	\$4,350	3.2	0.40%	0.28%					

Because of the fee ceiling, these permits currently pay a **lower** rate than the typical 2/5 of 1% of average earnings.

Table 2 describes the changes in fees and revenues for each fishery that are affected by the maximum fee. Again, these are the fisheries that are currently in the \$3,000 fee class. These permits currently pay only a portion (22.6% - 93.0%) of what they otherwise would pay due to the fee ceiling, as found in the Table 2.

Table 2. Foregone Revenue of Fee Class 40 by Permit Fishery

Fishery Code	Permit Fishery	Estimated Permits	Calculated Fee Class	Calculated Fee	Difference in Fee	Current Proportion Paid	New Revenue	Difference in Revenue
W2AFW	SCALLOPS DREDGE GT 80 FED WTR	3	43	\$3,225	\$225	93.0%	\$9,675	\$675
K91O	KING POT GE 60 DUTCH HARBOR	6.8	136	\$10,200	\$7,200	29.4%	\$69,360	\$48,960
K91OE	KING POT GE 60 ALEUT IS NSEDC	1	48	\$3,600	\$600	83.3%	\$3,600	\$600
K91OG	KING POT GE 60 ALEUT ACDC	2	61	\$4,575	\$1,575	65.6%	\$9,150	\$3,150
K91T	KING POT GE 60 BB	65.6	46	\$3,450	\$450	87.0%	\$226,320	\$29,520
K91TD	KING POT GE 60 BB CVRF	2	52	\$3,900	\$900	76.9%	\$7,800	\$1,800
K91TE	KING POT GE 60 BB NSEDC	0	53	\$3,975	\$975	75.5%	\$0	\$0
M6AB	MISC FIN LL GE 90 STW	62	57	\$4,275	\$1,275	70.2%	\$265,050	\$79,050
M7GB	MISC FIN OTTER 60 - LT 90 STW	23	43	\$3,225	\$225	93.0%	\$74,175	\$5,175
M7HB	MISC FIN OTTER 90 - 125 STW	98.2	86	\$6,450	\$3,450	46.5%	\$633,390	\$338,790
M7IB	MISC FIN OTTER GT 125 STW	129.2	177	\$13,275	\$10,275	22.6%	\$1,715,130	\$1,327,530
M7GG	MISC FIN OTTER 60 - LT 90 GOA	7.6	63	\$4,725	\$1,725	63.5%	\$35,910	\$13,110
M7HG	MISC FIN OTTER 90 - 125 GOA	5.4	52	\$3,900	\$900	76.9%	\$21,060	\$4,860
M7IG	MISC FIN OTTER GT 125 GOA	1	60	\$4,500	\$1,500	66.7%	\$4,500	\$1,500
T91Q	TANNER POT GE 60 BER SEA	85.4	91	\$6,825	\$3,825	44.0%	\$582,855	\$326,655
T91QB	TANNR POT GE 60 BER SEA BBEDC	4	47	\$3,525	\$525	85.1%	\$14,100	\$2,100
T91QC	TANNR POT GE 60 BER SEA CBSFA	3.2	58	\$4,350	\$1,350	69.0%	\$13,920	\$4,320
T91QD	TANNR POT GE 60 BER SEA CVRF	2.4	70	\$5,250	\$2,250	57.1%	\$12,600	\$5,400
T91QE	TANNR POT GE 60 BER SEA NSEDC	2.6	53	\$3,975	\$975	75.5%	\$10,335	\$2,535
T91QF	TANNR POT GE 60 BER SEA YDFDA	4	45	\$3,375	\$375	88.9%	\$13,500	\$1,500

Each one of these permit types has a lower fee due to the fee ceiling. The largest increase in permit fees revenue foregone is from the Statewide Miscellaneous Finfish Otter trawl permits, where permit fees would otherwise be \$13,225.

³ Number of estimated permits is based on a three-year weighted average number of permit renewals. These numbers are rounded for display in Tables 1 and 2.

The current estimated 2016 permit revenue is \$6,892,154. Estimated permit revenue without a fee ceiling would have been \$9,089,384. Because of the maximum fee, there is an estimated permit revenue loss of \$2,197,230. The majority (60.4%) of this foregone revenue comes from the highest fee class.

Table 3 displays how revenue accrual would change at different fee ceilings. Calculated revenue is the amount of estimated revenue from fees if the fee ceiling is at least at this fee class. Previous Revenue is the amount of estimated revenue with a \$3,000 fee ceiling, and Revenue Difference is the difference between the two values. The Total Revenue Difference column computes the cumulative additional estimated revenue at alternate fee ceilings.

Table 3. Estimated Revenue at Alternate Maximum Fees

Fee Class	Higher Fee	Total Permits	Calculated Revenue	Previous Revenue	Revenue Difference	Cumulative Revenue Difference
43	\$3,225	26	\$83,850	\$78,000	\$5,850	\$5,850
45	\$3,375	4	\$13,500	\$12,000	\$1,500	\$7,350
46	\$3,450	65.6	\$226,320	\$196,800	\$29,520	\$36,870
47	\$3,525	4	\$14,100	\$12,000	\$2,100	\$38,970
48	\$3,600	1	\$3,600	\$3,000	\$600	\$39,570
52	\$3,900	7.4	\$28,860	\$22,200	\$6,660	\$46,230
53	\$3,975	2.6	\$10,335	\$7,800	\$2,535	\$48,765
57	\$4,275	62	\$265,050	\$186,000	\$79,050	\$127,815
58	\$4,350	3.2	\$13,920	\$9,600	\$4,320	\$132,135
60	\$4,500	1	\$4,500	\$3,000	\$1,500	\$133,635
61	\$4,575	2	\$9,150	\$6,000	\$3,150	\$136,785
63	\$4,725	7.6	\$35,910	\$22,800	\$13,110	\$149,895
70	\$5,250	2.4	\$12,600	\$7,200	\$5,400	\$155,295
86	\$6,450	98.2	\$633,390	\$294,600	\$338,790	\$494,085
91	\$6,825	85.4	\$582,855	\$256,200	\$326,655	\$820,740
136	\$10,200	6.8	\$69,360	\$20,400	\$48,960	\$869,700
177	\$13,275	129.2	\$1,715,130	\$387,600	\$1,327,530	\$2,197,230
Total		508.4	\$3,722,430	\$1,525,200	\$2,197,230	

The estimated 2016 permits by residency is outlined in Table 4. Included in these figures is the percent of permits renewed by Alaska residents and nonresidents, as well as the estimated foregone revenue by these two classes of individuals.

Table 4. Alaska Resident vs. Nonresident

	Alaska Resident	Nonresident
<i>Estimated Permit Renewals</i>	17.2%	82.8%
<i>Estimated Foregone Revenue</i>	11.8%	88.2%

Note that the estimate of foregone revenue from nonresidents is a higher percentage than the estimate of nonresident permit renewals. This is due to the fact that there is a higher proportion of nonresident permits in the higher fee classes.