



The Commonwealth of Massachusetts

Division of Marine Fisheries

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CARES ACT Relief For-Hire Fishing Working Group Meeting #1 Summary: June 10, 2020

Attendees

Industry Members: Mike Pierdinock (F/V Perseverance), Willy Hatch (F/V Machacha), Don Cianciolo (F/V Laura-Jay), Tim Brady (F/V Mary Elizabeth), Joe Huckemeyer (Helen H Fleet), Chris Charos (Captain's Fishing Parties).

DMF Staff: Dan McKiernan, Director; Mike Armstrong, Co-Chair; Nichola Meserve, Co-Chair; Kevin Creighton; Stephanie Cunningham; Maren Budrow; Anna Webb; Erich Druskat; Melanie Griffin; Jared Silva; Story Reed; Matt Ayer; John Boardman; Dave Martins; Greg Skomal; Julia Kaplan.

Background

The Division of Marine Fisheries (DMF) has been tasked with distributing \$28M in fisheries disaster relief from the Coronavirus, Aid, Relief, and Economic Securities Act ("Cares Act") to four affected sectors: seafood processing, commercial fishing, aquaculture, and for-hire fishing (party and charter). DMF assembled an industry advisory panel to guide the development and administration of the relief program. In addition, DMF formed working groups for each of the four sectors to develop sector-specific spending plans. Some of the considerations for each working group include minimum eligibility criteria; whether and how to tier payments to the eligible applicant pool; and any further restrictions on payments. The For-Hire Working Group held its first meeting on June 10, 2020. Presentations and meeting summaries for all related meetings are available at: <https://www.mass.gov/service-details/mass-cares-act-fisheries-relief>.

For-Hire Sector Allocation

In the development of the state allocations of the \$300M in total funding, NOAA Fisheries used a five-year average (2015–2019) of for-hire angler trip expenditures to estimate for-hire fishing revenue. This resulted in a \$21M revenue estimate for the Massachusetts for-hire fishing industry, or 1.5% of the state's total revenue estimate. If the funds were parsed consistent with the estimated value of each sector, this would provide roughly \$416,000 for the for-hire fishery. In considering the actual losses occurring in each sector, DMF's initial proposal to the industry advisory panel on June 2 was to increase the for-hire funding to roughly \$728,000 by DMF forgoing charging of allowable administrative fees.

Following additional guidance from the Administration, DMF's subsequent proposal for the working groups is to further increase the for-hire funding to \$1,000,000 by pulling 2% from the seafood processing sector. Of this, \$416,000 would be paid out to the head boat fleet in an expedited manner through an advance from the Commonwealth, while the remaining \$584,000 would be paid out to the charter fleet after approval of the state's spend plan. This proposal reflects the social distancing restrictions on for-hire vessels (10-customer maximum) that continue to restrict head boat operations in particular. The working group was supportive of the increase to the for-hire sector and prioritization of payments to head boats.

Data Availability

The working group reviewed the types and completeness of data that could be used to determine an applicant's eligibility and payment amount. Notably, DMF does not have a comprehensive accounting of for-hire trips conducted, clients, revenues or catch for the roughly 850 for-hire permits issued annually (about 50 head boat and 800 charter). However, a suite of data sources provide information on the fleet, including: self-reported activity levels for charter vessels collected through the permit application questionnaire; self-reported activity and catch data via vessel trip reports (VTRs) for holders of federal permits; presence of for-hire activity from being sampled for effort or catch through the MRIP telephone and intercept surveys; permitting data such as the number of years a permit has been obtained; vessel size information; advertising data including having a business website and being listed in the MA Saltwater Guide; and DMF staff knowledge of the fleet. Through the application process, additional data could be collected such as from vessel logbooks or tax returns.

The working group commented on the strength of some of these data sources, with most speaking in favor of VTRs, tax returns (Schedule C), and logbooks for head boats (required for USCG inspection) in determining vessel activity levels. There was discussion about the vagaries of these data sources (e.g., differentiating reported income from each vessel in a multi-vessel business or from each activity on a multi-purpose vessel). The Panel supported allowing several options for potential applicants to use to document their activity level if necessary.

General Eligibility Criteria

DMF presented eight criteria that it proposed to use for general eligibility for both head boats and charter boats. These include: 1) must hold a current 2020 for-hire permit as of June 1; 2) must have held a 2019 for-hire permit; 3) must meet a minimum threshold of activity, with the eligible pool's activity to be tiered (specifics to be developed individually for head boats and charter vessels); 4) must be 18 years of age or older by the end of the application period, per NOAA guidance; 5) must not be in violation of specific federal laws, per NOAA guidance; 6) must be a MA resident or not be receiving CARES Act for-hire fishing aid from another state; 7) must have suffered 35% revenue loss during March–June compared to a prior 5-year average; 8) and must not exceed normal revenue through the receipt of various CARES Act relief programs, per NOAA guidance. Criteria #5–8 would be self-attested to in an affidavit within the application.

The working group had some discussion about the March–June period for revenue loss accounting and the potential to include later months given the seasonality of fisheries. DMF supported this period because the inclusion of additional months would further delay payments to all applicants (the applicant pool has to be set before any payouts can be made) and Congress' intent was for these payments to reach the affected parties as soon as possible. It was noted that trips scheduled for later in the year but cancelled during those months could be considered, and if there were to be additional funding available from Congressional action, priority would be given to those individuals not eligible for this funding because of losses occurring outside the evaluated period. It was also clarified that an operator in business for less than five years could be eligible. Overall, the working group did not oppose these criteria, and spoke in favor of specific elements including the June 1 date for Criteria 1, the eligibility and tiering concepts of Criteria 3, and the treatment of non-resident permit holders in Criteria 6.

Head Boat Tiering Proposal

Given the prioritization of head boat payments, DMF staff had invested most of its meeting preparation into gathering the available for-hire fishing data for both modes and focusing on a proposal for head boat payment tiering. Based on the data review, DMF proposed to bin head boat permit holders by a combination of vessel size and activity level.

Head boats would be classified by their size (as reported on permit applications) into three tiers: small ($\leq 40'$), medium (41' to $\leq 65'$), and large (66' and up). These size classes were based on the quartiles of the head boat fleet's vessel length frequency distribution, with the first quartile assigned to small, the second and third quartiles assigned to medium, and the fourth quartile assigned to large.

Head boats would be classified by their activity level (as based on a combination of all data sources) into three tiers: inactive, limited, and active. Inactive vessels were defined as those non-residents that are active in another state and expected to receive payment there, as well as vessels whose primary purpose is not for-hire fishing activity (e.g., dive boat, ecotourism boat). Limited activity vessels were defined as those for which DMF has no specific data on activity levels or whose data indicates a lower activity level. Active vessels were defined as those whose data support a full-scale for-hire fishing operation.

Based on these criteria, the potential applicant pool (estimated at ~ 35) would be pre-assigned a bin and receive a letter indicating their bin assignment. This could be appealed with supporting documentation. DMF provided four examples for how payment shares could be apportioned to the bins and the potential payment amount. These differed on how quickly the shares depreciated within the tiering categories (e.g., a limited activity vessel receiving either $\frac{1}{2}$ or $\frac{1}{4}$ of what an active vessel receives).

The workgroup supported the use of both activity level and vessel size to tier head boat permits. The group supported a tiering plan that would provide the bulk of funding to those permit holders whose primary purpose is for-hire fishing and who have consequently suffered the greatest for-hire fishing revenue loss. The Panel also discussed how the social distancing measures are affecting the various vessel size classes, with large vessels being inoperable and small and medium vessels ranging between having all trips cancelled to still managing to attract the avid fishing public. There is some geographic component to these effects as well.

There was support among the work group for using head boat logbooks to validate appealed activity levels, given the requirement to show these during USCG vessel inspections of permitted head boats. The discussion also indicated a need to be specific about which record of vessel length would be used. With regards to potentially capping payments for holders of multiple permits, the discussion amongst the workgroup was in opposition so long as each vessel qualified for the 35% revenue loss. There was some sentiment towards recipients of for-hire relief funding being ineligible for funding under the other sectors (e.g., commercial fishing).

DMF indicated that it would be moving forward with the proposed tiering plan and one of the example payment share options, with the hope of sending out applications within the week. However, this could be delayed by the availability of NOAA Fisheries' pending affidavit language to self-certify to several of the eligibility criteria. The timeline would then include one-week periods for applicant appeals and DMF review of them. The overall goal is to have head boat payments issued by electronic funds transfer near the end of the month of June.

Next Steps

DMF's next steps will focus on completing the head boat payments and assessing the data on the charter boat fleet to develop a proposal for eligibility and tiering. The workgroup provided some initial comments for consideration in development of the proposal, including using similar metrics of activity levels and vessel size; the use of an additional income qualification (e.g., 51% of income derived from for-hire fishing); and selecting tiering thresholds that will focus the available funding on those suffering the greatest loss to their livelihood.