



# The Commonwealth of Massachusetts

## Division of Marine Fisheries

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### **CARES Act Relief Seafood Processing Working Group**

#### **Meeting #1 Summary**

#### **June 8, 2020**

Industry members present: Tory Bramante, Ed Washburn, Laura Ramsden, Gordon Carr, Jared Auerbach, Nick Giacalone, Jim Saxonis, Pamela Lafreniere

DMF members present: Director Dan McKiernan, Story Reed (Chair of Working Group), Kevin Creighton, Anna Webb, Wendy Mainardi, Tom Shields, Julia Kaplan, Jeff Kennedy, Melanie Griffin, Stephanie Cunningham, Erich Druskat

#### Introduction

The federal government provided \$300 million in disaster relief through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") for those seafood and fishing industry sectors negatively affected by the COVID-19 pandemic. Approximately \$28M of this funding was allocated by NOAA Fisheries to the Commonwealth of Massachusetts and was derived from revenues from the seafood processing sector (51.2%), the commercial fishing and aquaculture sectors combined (47.3%), and the for-hire sector (1.5%).

DMF has distributed federal aid to commercial fisheries during five previous programs over the last 20 years and therefore has valuable previous experience about distribution of funding in MA. That being said, this is particularly complex because it spans four different sectors where the data quality varies greatly. It is expected this seafood processors sector will be just shy of \$14 million.

#### Eligibility

Businesses will need to have held a 2019 and 2020 permit with at least a 35% loss in revenue compared to the average of the previous five years solely due to the impacts of the Covid-19 pandemic to be eligible for funds. Currently DMF is considering the eligibility period to be from mid-March through June, but this will be decided on by the working group. Timing needs to be factored into the discussion as the larger the eligibility timeframe is, the longer it will take to distribute money. It was suggested that the timeframe be marked by government actions (state of emergency to phase one re-open). The working group will also need to figure out when applications will be due. DMF wants to keep this process moving quickly and send guidance from this working group to DMF to aggregate to be sent to the advisory panel to be sent to NOAA by the end of June.

There are 361 permitted wholesale dealers and processors, seven of which are 'non-residents,' and may be able to qualify within their own state. The industry asked what the residence is defined as and mentioned that if they are doing business in MA they have to pay taxes in MA as well as the state they reside in. There are only seven business so DMF suggests that the working group not get bogged down with these outliers.

### Metrics and Tiered Payments

About two thirds of the 361 permitted wholesale dealers are primary buyers of seafood. DMF co-permits with DPH, but still does not have data on the secondary buying level, and these can be some of the most prominent business in the State. This process will have to rely on criteria that companies will self-attest to knowing that this can lead to fraud, but data should also be auditable. Submission of redacted tax documents from previous years will probably be used in some way. DMF is encouraging the working group to do the best they can given this challenge and understand that timing is of the essence.

With no scale of payment, \$39,000 would be the payment to each business. If there is a scale, should tiers be based on revenue, poundage, or number of employees? The working group agreed that it would have to be a combination of at least two of these attributes. Only using revenue as a metric would not work, because of the labor to profit ratio; only using poundage would not work, because it is highly subject to fraud; and only using employees would not work, because some companies use hiring agencies. The working group and DMF generally agreed that employee count would factor into the fairness plan, poundage is important, and revenue does not fully describe losses. PPP applications made everyone report employees so there is a path of least resistance in place.

Stratification, multiple locations, minimums and maximums were also discussed. More stratifications were suggested because the difference between the gap between big and small seafood business in the state is so large. It was also brought up that it's possible that companies will settle into tiers naturally as volume, employee number, and revenue are usually related. It was suggested that businesses with multiple locations should not double dip. There is concern based on past experiences that very small dealers will receive funds even though they are not full-fledged businesses, so a minimum was requested to put in place (it is possible that revenue can be used for eliminating these from being eligible).

### Next Steps

There seemed to be a consensus that number of employees in combination with a measurement of poundage/volume will demonstrate both impact and cost. DMF wants to reach a conclusion about this in about two weeks, and the importance of simple and verifiable parameters to ensure fairness was noted. The working group will draft: recommendations for eligibility, scaling factors for payouts, recommendations whether payment minimum or maximum should be considered, and establish an application period for each sector or fishery to apply. There will be a second working group meeting possibly next Monday, Story will follow up with details. DMF will work on creating a model that shows a tiering system before next meeting.