



State of California – Natural Resources Agency
DEPARTMENT OF FISH AND WILDLIFE
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GAVIN NEWSOM, Governor
CHARLTON H. BONHAM, Director



May 1, 2020

Randy Fisher
Executive Director
Pacific States Marine Fisheries Commission
205 SE Spokane Street, Suite 100
Portland, OR 97202

Dear Mr. Fisher,

The State of California has developed a proposed spending plan for the distribution of the disaster funds allocated by Congress for the 2016 and 2017 fishery disaster for the northern California red sea urchin fishery. The Department of Fish and Wildlife (Department) recommends disaster funds be allocated as follows:

- 20% for mitigation
- 79% for direct payment to affected fishery sectors and
- 1% for PSMFC overhead.

The purpose of this letter is to provide additional details on the goals of mitigation, the proposed allocation of direct payment to affected urchin fishery sectors (fishermen and processors/receivers/buyers), and a description of why the distribution between mitigation and direct payments is anticipated to be the best mechanism to address the fishery disaster. The proposed spending plan is based on, and consistent with, the guidance provided by NOAA in their notification letter dated March 18, 2020.

The Department hosted a webinar on April 17, 2020 to engage with industry representatives from the red sea urchin fishery. During the webinar the Department presented Department-developed options consistent with past fishery disasters and received public feedback focused on disbursement of direct payments.

Feedback received generally supported the Department's options for proposed distribution of disaster relief funds. Commenters expressed support for options that were relatively easy and simple to expedite the payment process. Support was expressed for the allocation between mitigation and direct payments and for minimum qualification criteria for direct payments, which included permit/license ownership during disaster years (2016 or 2017) and landings activity prior to the disaster season.

The enclosed document (Spending Plan Rationale) provides details of the Department's proposed plan for allocation of funds for mitigation and direct payment between sectors of the red sea urchin fishery. In determining these allocations, the Department considered public comments received to date, the ability to spend funds within a 48-month timeframe, the application of consistent and systematic criteria based on

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available data, and how the assistance is aimed at preventing similar failures in the future. The Department recognizes that the funds appropriated were not sufficient to reimburse all losses and are meant to strengthen the long-term economic and environmental sustainability of the fishery.

The Department looks forward to assisting you with this process and any other information needs you have. If you have questions or comments, please contact Dr. Craig Shuman, Marine Regional Manager, at (916) 373-5491 or by email at Craig.Shuman@Wildlife.ca.gov.

Sincerely,

Charlton H. Bonham
Director

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SPENDING PLAN RATIONALE

****The final amounts for total disaster funds and subcategories (mitigation, direct payment, and PSMFC Overhead) may be different than listed in this document.***

The following details the Department's proposed spending plan and rationale for the distribution of disaster funds to the northern California red sea urchin fishery. For the purpose of this spending plan the northern fishery is defined as the area between the California/Oregon border and San Luis Obispo/Monterey County line. The Department is proposing to distribute 20% for mitigation, 79% for direct payment to affected sectors, and 1% for PSMFC overhead (Table 1).

Table 1. Summary of proposed distribution of disaster funds to the northern California red sea urchin fishery.

Total Disaster Funds	\$3,326,014
Mitigation (20%)	\$665,203
Direct Payment (79%)	\$2,627,551
PSMFC Overhead (1%)	\$33,260

Mitigation

The red sea urchin fishery has been severely impacted by changing environmental conditions that have devastated the kelp forest ecosystem in northern California. Persistent warm water conditions reduced kelp production, a primary food source for urchins and created starvation conditions. In addition, a population explosion of the less marketable purple sea urchin continues to prevent recovery of kelp beds, adding further stress to the fishery.

The Department's proposed plan allocates \$665,203 for mitigation through competitive grants to improve resiliency of the fleet to future changing ocean conditions. High priority research topics include kelp forest restoration, marketing, urchin recruitment studies, and socioeconomic assessments.

The Department considered using mitigation funds for permit buybacks but did not support its inclusion in the spending plan. While permit buybacks can be an effective mechanism to reduce effort, the State already has a process in place to address capacity issues and remove permits from the fishery. The Department believes that mitigation funds should be prioritized for research that will help rebuild the resource and restore important critical habitat.

The Department's proposed allocation of 20% is based on the tolerance of the fishery to spend money on mitigation versus direct payments.

Allocation of Direct Payment to Affected Red Sea Urchin Fishery Sectors

The Department proposes allocating \$2,627,551 for direct payments to the two primary sectors of the northern California red sea urchin fishery. Under the proposed spending plan, the northern California red sea urchin fishery would be shared between commercial fishermen (66%) and processors/receivers/buyers (34%) (Table 2). These allocations are based on input from industry that also considers net value of landings as reflected on landing receipts.

The Department is prioritizing direct payments to the core red sea urchin sectors because they are in the best position to invest the funds into their businesses to increase their resilience to future disruptions caused by changing environmental conditions. Providing direct payments to affected sectors will generate immediate direct and indirect economic benefits to help build resiliency within local fishing communities.

Table 2. Summary of allocation of directed payments to affected sectors of the red sea urchin fishery.

Direct Payment	\$2,627,551
Fishermen (66%)	\$1,734,184
Processors (Buyers/Receivers) (34%)	\$893,367

Disbursement Options

The Department explored options for disbursing funds within the affected sectors using equal shares, weighted shares by landings/activity tier, or a proportional distribution of shares based on historical landings/receiving history calculated from landing receipts. The Department received varying degrees of support and opposition for all options.

Based on the feedback received from the affected sectors and the guidance from NOAA in the memo dated March 18, 2020, the Department proposes distributing funds among all qualifying participants as follows:

- **Fishermen: weighted by tiers of total pounds landed at ports within affected fishing area**
- **Processors: proportional to receiving history at ports within affected fishing area**

Rationale

Direct payments to affected sectors was assigned the highest priority for assistance because the Department believes it is the best mechanism to build resiliency within local fishing communities to increase the likelihood of survival as future seasons are impacted by the ongoing environmental disaster. Prior to the disaster years (2011-2015), the red sea urchin fishery has generally placed, on average, within the top six fisheries of California by ex-vessel value. For local northern California communities that

are generally more reliant on the fishing industry, the effects of the reduced urchin harvests have even greater impacts. We believe direct payments will benefit the northern California red sea urchin fishery and broader fishing community as a whole.

Distributing funds by weighted tiers was chosen for fishermen based on public input to date. Using weighted tiers allows for application of consistent and systematic criteria based on available data and most closely matches the intent of the guidance provided in the NOAA letter to strengthen long-term economic and environmental sustainability of this fishery. It also provides the greatest benefit by more evenly distributing funds.

Distribution of funds proportional to receiving history was chosen for processors based on input received to date from industry leader representatives. This approach recognizes the processors' role within fishing communities and the importance of supporting broader infrastructure needs which is critical to the long-term success and sustainability of this fishery.

The Department believes that sustainability of the northern red sea urchin fishery is linked to the varied participation levels that operate within this industry. The broader and more diverse a fishery is, the better equipped it is to adapt to environmental changes. Disbursing funds among all levels of fishing strategies and business plans is important to ensuring the survival of the fishing fleets and encourage competitive business practices. The Department's proposed spending plan will allow these recipients (fishermen/processors) to reinvest back into businesses that operate within the fishing community, thereby bolstering the local economy and infrastructure.

Although the Department's proposed spending plan does not directly reimburse secondary businesses, it will have a positive indirect effect on these businesses. Loss of fishermen directly correlates to losses in many small supporting businesses. Once these small supporting businesses (many of which are owned by multi-generational fishing families) cease operation, it becomes challenging for the fleet to secure resources and services necessary to sustain businesses operations.

Qualification Criteria and Reimbursement Calculation

Eligibility for fund disbursement was determined based on permit/license ownership in 2016 or 2017 and fishery participation in the five years prior to the disaster declaration. This range of years is consistent with the baseline used to determine the fishery disaster.

Additional detail on qualification criteria, methodology for calculations and summary of reimbursement for red sea urchin sectors is described in **Appendix A**.

APPENDIX A: Qualification criteria and estimated reimbursement calculation for northern California red sea urchin sectors

Fishermen

The Department considered permit ownership and fishery participation when developing qualification criteria for eligibility of fund disbursement. Only those individuals who owned a sea urchin diving permit in 2016 or 2017 and made minimum cumulative total landings of 1,000 pounds in ports north of the San Luis Obispo/Monterey county line during the period 2011-2015 qualify for disaster funds. Fishermen who qualify were considered active participants and eligible for disbursement.

Estimated reimbursement for each qualifying individual that held a sea urchin diving permit was determined by taking the cumulative pounds of landings in the affected ports over these five calendar years. Tiers were determined by partitioning the number of cumulative landings (lbs) into 10 groups: $\geq 800,000$, 600,000-799,000, 500,000-599,999, 400,000-499,999, 250,000-399,999, 150,000-249,999, 100,000-149,999, 45,000-99,999, 10,000-44,999 and 1,000-9,999. The total number of pounds for each tier was calculated by summing all licensee's cumulative pounds in that tier. The percent contribution for each tier was calculated by dividing the tier's total pounds by the summed total of all pounds from all 10 tiers. This percentage was multiplied by the total direct payment amount to determine the allocation for each tier. The tier allocation was then divided by the number of qualified licensees in each tier to determine the reimbursement per license for each tier.

The range of cumulative total pounds landed by tier and corresponding estimated reimbursement for each qualified permittee in that tier is summarized in Table A-1.

Table A-1. Summary of estimated reimbursement to qualified red sea urchin fishermen weighted by landings between 2011 and 2015.

Weighted Tier Groups	Cumulative Total Landed (lbs)	Number of Qualifying Permits (n=54)	Estimated Reimbursement Per Permit
1	$\geq 800,000$	3	\$102,542
2	600,000 – 799,999	5	\$68,973
3	500,000 – 599,999	7	\$60,460
4	400,000 – 499,999	5	\$50,074
5	250,000 – 399,999	5	\$34,626
6	150,000 – 249,999	7	\$21,648
7	100,000 – 149,999	3	\$12,417
8	45,000 – 99,999	4	\$7,388
9	10,000 – 44,999	5	\$2,313
10	1,000 – 9,999	10	\$506

Processors/Receivers/Buyers

The Department determined that qualifying fish businesses had to have held a fish business license in 2016 or 2017 and received at least 1,000 cumulative total pounds during the period 2011-2015 in the affected northern ports. Qualifying processors were considered active and eligible for disbursement. Because of the multipurpose nature of this license, a minimum activity level was included to substantiate that participation was more than occasional or incidental.

Estimated reimbursement for each qualifying licensed business was based on the cumulative pounds of red sea urchin received over these five years. The proportion of disbursement to each qualifying fish business license owner was determined by dividing their cumulative pounds by the total sum of all pounds received by all qualified fish business licenses over these five years. This proportion was then multiplied by the total direct payments to the industry sector, resulting in the reimbursement total for each fish business license owner.

The range of proportions and corresponding estimated reimbursement for the minimum and maximum qualified businesses is summarized in Table A-2.

Table A-2. Summary of estimated reimbursement to the minimum and maximum qualified red sea urchin fish businesses proportional to their received history between 2011 and 2015.

Number of Qualifying Businesses (n=9)	Proportion of Total Pounds Received	Estimated Reimbursement Per Business
Maximum	65.4%	\$584,055
Minimum	0.01%	\$56