CARES Act Fisheries Disaster Assistance Program

Seafood Processors
The CARES Act was passed by Congress and enacted into law on March 27, 2020.

Within the CARES Act is a specific set aside for eligible fishery participants called the Fisheries Disaster Assistance Program.

- This is a $300 million set aside for all coastal states with eligible fishery participants affected by COVID-19.

State allocations were released by NOAA on May 8, 2020, and further guidance came out over the following couple of weeks.
• RI’s allocation is $3,267,923
  • This is the adjusted amount that accounts for NOAA’s (0.7%) and ASMFC’s (0.1%) administrative costs for the allocation and distribution of the funding to the states

• RI will receive its state share from the ASMFC
  • RI will also charge an additional small amount for state administrative costs, minimized to the extent possible
    • Currently considering a flat amount of $100k
Basis for the Allocation

• Allocation was derived from readily available total annual revenue information from commercial fishing and aquaculture (68%), charter fishing (3.5%), and seafood processor sectors (28.5%)

• Allocation not required to be distributed based on these proportions, since number of eligible fishery participants in sectors may vary based on 35% revenue loss threshold
  • However, RI’s initial proposal will use these allocations as starting point for discussions
### Basis for the Allocation

- These are initial estimates and may change depending on the outcome of the stakeholder process.

<table>
<thead>
<tr>
<th>Fishing Sector</th>
<th>Allocation</th>
<th>Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Fishing</td>
<td>62.6%</td>
<td>$1,983,120</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>5.4%</td>
<td>$171,068</td>
</tr>
<tr>
<td>Party and Charter</td>
<td>3.5%</td>
<td>$110,877</td>
</tr>
<tr>
<td><strong>Seafood Processors</strong></td>
<td><strong>28.5%</strong></td>
<td><strong>$902,858</strong></td>
</tr>
</tbody>
</table>

* Accounts for estimated 100k overhead for program administration by RI
Eligibility

• Eligible participants must have incurred, as a direct or indirect result of the coronavirus pandemic, economic revenue losses greater than 35% as compared to the applicable prior 5-year average (2015-2019)

• All applicants must be RI residents 18 years of age or older
• Goal statement:

“Expeditiously and equitably compensate eligible fishery participants in RI for documented losses due to COVID-19 incurred during 2020 reference period, not otherwise compensated for via any other direct-payment programs.”
Process

- RI must develop a “Spend Plan” to receive and disburse RI allocation
- This plan must be approved by NOAA
- Once approved, RI will:
  - Promulgate regulations consistent with the Spend Plan
  - Work through existing COVID 19 relief funds business processes in the state
  - Process applications, consider appeals
  - Distribute the funds
• Development of the RI spend plan will include a stakeholder process
  • Starting with a general meeting
  • Followed by a series of stand-alone workshops for each sector
    • This is the third workshop, specific to Seafood Processors
  • DEM is developing an initial strawman proposal for stakeholder review
    • Strawman proposal is being developed by internal working group that includes staff from several DEM offices, including Marine Fisheries, Coastal Resources, Director’s Office, and Legal Counsel
• Establishing Sector-Specific Eligibility
  • **Seafood Processors:**
    • Owner of a seafood wholesale/processing business, with facility based in RI, who holds a RIDEM Dealer License
    • Inclusive of individuals employed by said business during the 2020 reference period
    • Question: should we also require parallel DOH licensure as requirement?

• Establishing 2020 Reference Period
  • Option 1: March-May 2020
  • Option 2: March-June 2020
Process

- Qualifying applicants (eligible seafood processor participants):
  - Intent is to begin by identifying eligible applicants via affidavit process
  - Affidavit will ask each applicant to verify documented losses during the 2020 reference period
  - If greater than 35% compared to prior 5-year average, affidavit will ask each applicant to deduct other sources of direct COVID-19-based assistance received during 2020 reference period
  - Balance will constitute net loss, serve as basis of individual request
  - Available funds may not be sufficient to fully mitigate net losses

- Intent is to rely exclusively on verifiable data sources
  - Open to suggestions, data sources must be accessible and verifiable
• Qualifying applicants (eligible seafood processor participants):
  • Affidavit will have three parts:
    • Part 1 – **Self Certify** that the owner of the seafood wholesale/processing business suffered at least a 35% loss in revenue from operations during the 2020 reference period
    • Part 2 – **Quantify** that the business owner suffered at least a 35% loss in revenue from operations during the 2020 reference period
    • Part 3 – **Disclose** the amount and source of any other direct payments received (e.g., unemployment insurance, forgivable PPP loans)
• Application review process
  • RIDEM will assess each affidavit for veracity based on available data
  • RIDEM will tally the total net losses for all applicants within each of the four sectors
  • If total net losses are less than the sector allocation, RIDEM will issue direct payments for the full amount of each claim
    • Distribute per sector allocation, or redistribute the sector allocations to compensate for shortages in given sector(s)
• Application review process
  • If total losses are greater than the sector allocation, RIDEM will employ one of the following approaches:
    • Issue pro-rated payments scaled to the amount of each claim (i.e., set percentage of each claim)
    • Issue payments in equal amounts, determined by dividing the sector allocation by the total number of claims
    • Issue payments in bins/tiers
• Appeals
  • Process will include opportunity for applicants to appeal initial determinations regarding claims
  • Timeframe for appeals will be limited, given effect on other applicants
Data

• Data Sources
  • SAFIS Dealer Reports
    • 2015-2019 to establish baseline for reference period
    • 2020 to quantify loses relative to baseline
Data

- SAFIS Dealer Reports
  - Provide ex-vessel value of seafood purchased by the dealer
    - Economic multipliers can be applied to estimate value in the market
  - Provide the number of purchases made, which can be used to examine dealer activity
• Use of Historical Data vs. Claimed Loss
  • The following examples highlight potential use of available data and metrics to evaluate losses
  • Numbers of potentially eligible dealers does not necessarily represent the universe of eligible applicants, given the 35% revenue loss threshold
  • However, for purposes of illustration, the analyses assume all potentially eligible businesses would qualify
  • Only RI-based seafood dealers are included
• Reference Period: March 1 – May 31 for 2015-2019
  • 71 RI dealers reported activity during the period
    • 38 dealers reported activity during the period in all 5 years
    • 33 dealers reported activity during a subset of years, including some with single years of activity
  • Total ex-vessel value per dealer per year for the period ranged from ~$100 to ~$3million
    • 32 dealers averaged < $20,000 in purchases per year during the period
  • Total number of purchases per dealer per year ranged from <5 to ~1,500
    • 32 dealers averaged less than 100 purchases/year during the period
• Potential distribution methods
  • Proportional distribution based on seafood value
    • Estimate based on current data: average of ~$12,716, stdev $39,892, range ~$1 - ~$275,000)
    • Key factor: Should the value be evaluated by ex-vessel (value in dealer reports) or value in market [(ex-vessel*economic multiplier) - (ex-vessel value)]?
    • Could consider a minimum payout with any funds above the minimum proportioned
  • Proportional distribution based on seafood value and number of purchases
    • Need input on how to weight the metrics if this method is used. Evenly? More emphasis on value? More emphasis on number of purchases?
      • Weighting function including value of sales relative to total sales value and number of purchases (e.g., X * value + Y * # purchases, where X and Y are weights that add to 1)
Data

• Potential distribution methods
  
  • Even distribution of funds among qualifying dealers
    • Estimate based on current data = ~$12,000

  • Use of bins/tiers that group all qualifying businesses into high/medium/low categories based on data/metrics, with fixed payments provided to all businesses in each category
Timeline

• Sector-specific workshops are being conducted now
  • Intent is to limit to no more than two workshops per sector

• Spend plan development will hinge upon those workshops

• Once spend plan is in draft final form, one or more full stakeholder meetings will be conducted to solicit final input
  • Final plan will then be submitted to NOAA for approval; following approval, regulatory process will commence
Questions for this workshop:

• Preference for the reference period (March – May; March – June)?
• Other verifiable datasets to consider?
• Additional metrics for assessing activity or impact?
• Should shares be equal, categorized, or prorated/customized?
  • If not issuing equal payouts, should minimum payouts be considered, with prorated values above the minimum payout?
  • If prorated, what metrics should be considered: seafood value, number of purchases?
  • Should ex-vessel value be used as a quantifier, or should market values be computed based on economic multipliers?
  • If multiple metrics are considered, how should those metrics be weighted?