

## CDFW Dungeness Crab Trap Limit Account: Worksheet of Projected Balances Resulting from Adjustments to Buoy Tag Fees

The following informational document is provided to inform Dungeness crab task force (task force) members on the relative status of the Dungeness Crab Trap Limit Program (DCTLTP) account based on current fees and costs as well as any proposed changes to the trap limit buoy tag fee schedule.

The baseline for current fees and costs covered by the DCTLTP account was derived and estimated from best available Department costs as of May 2020. Other considerations concerning revenue and Department costs are as follows:

- 1) Number of permits remain the same or are decreasing while fees (revenue) collected have been static since program implementation (\$1,000 per biennial permit; \$5 per buoy tag in each trap tier (Table 1)).
- 2) Department costs increase incrementally due to changes in labor rate fees and indirect costs over time (Tables 2). Note: The Department does not charge for all costs associated with administration of the trap limit program, therefore this value should be considered an underestimate of total Department costs.
- 3) A contract for administration of the task force is sourced from the DCTLTP account and costs could range between \$150k and \$300k per biennial period (Table 3). Contract costs were included in Department cost totals in 2017-18 and 2018-19 (Table 2). Actual contract cost may not be fully utilized each biennial period and any unused funds would return to the DCTLTP account.

California Department of Fish and Wildlife  
 Prepared by CDFW Marine Region  
 Worksheet of Projected Balances  
 Resulting from Adjustments to Buoy Tag Fees  
 DCTF EC Conference Call - July 2020

Table 1. Distribution of total biennial Dungeness Crab trap limit fees by trap tier. (Note: Total does not include in-season and between season tag fees).

Trap Tier	Trap Allotment	Total Fees by Permit (\$1,000 Biennial permit \$5/buoy tag)	Total Permits in Tier	Total Fees Collected by Tier (\$)
1	500	\$3,500	58	\$203,000
2	450	\$3,250	53	\$172,250
3	400	\$3,000	57	\$171,000
4	350	\$2,750	55	\$151,250
5	300	\$2,500	55	\$137,500
6	250	\$2,250	163	\$366,750
7	175	\$1,875	111	\$208,125
<b>Total</b>			<b>552</b>	<b>\$1,409,875</b>

An average of **\$1,490,000** was used as a baseline for fees collected over the following three biennial periods (from 2012-13 to 2017-18 (Table 2)). Revenue includes other fees such as in-season and between-season tags that are not shown in Table 1.

Table 2. Summary of revenue and ongoing balances of the DCTLP account. Program began on April 1, 2013 and CDFW did not charge any costs for the partial first year of the program.

Fiscal Year Period (July 1 – June 30)	Revenue from Biennial Fees	Total CDFW Costs (Include Law Enforcement, Licensing, Marine Region and Overhead)	FY End Balance of Accounting Fund
2012-13	\$481,183	n/a	\$481,183
2013-14	\$1,072,152	\$264,885	\$1,288,450
2014-15	\$1,385,582	\$693,436	\$1,980,596
2015-16	\$61,143	\$662,766	\$1,378,973
2016-17	\$1,401,304	\$673,119	\$2,107,159
2017-18	\$81,936	\$683,007	\$1,518,870
2018-19	\$1,438,670	\$825,219	\$2,137,749

California Department of Fish and Wildlife  
 Prepared by CDFW Marine Region  
 Worksheet of Projected Balances  
 Resulting from Adjustments to Buoy Tag Fees  
 DCTF EC Conference Call - July 2020

Table 3. Summary of estimated Department costs each biennial period that include the current task force administration contract total of \$150,000 and the expected increase of the contract to \$300,000 over future biennial periods.

<b>Department</b>	<b>Costs Per Biennial Period</b>
Enforcement Division	\$672,000
Marine Region	\$195,000
License & Revenue Branch	
a) Biennial Year (cost of production and S/H of buoy tags)	\$127,000
b) Biennial Year (staff time processing tags)	\$85,000
c) Non-biennial Year	\$50,000
Department (overhead and indirect labor costs)	\$230,000
<b>Contract</b>	
Administrative Contract (2019-2021)	\$150,000
<b>Grand Total (2019-2021)</b>	<b>\$1,484,000</b>
Administrative Contract (2021-2023 and beyond)	\$300,000
<b>Grand Total (2021-2023 and beyond)</b>	<b>\$1,634,000</b>

Department costs were estimated from both current and past accounting summaries while License and Revenue Branch fees were informed by current cost of buoy tags. DCTF administration contract costs reflect funding under the current contract (\$150,000) which ends on June 30, 2021. The Department is in the process of amending this contract to increase the dollar amount from \$150,000 to \$193,000 (\$75,000 for year 1 and \$118,000 for year 2) and is expected to increase future contracts to \$300,000 beginning July 2021.

**Status Quo**

When considering changes to the fee schedule for biennial buoy tags that currently cost \$5/tag, the Department projected the DCTLP account balance from the actual account balance as of June 30, 2019, and the estimated revenue and costs calculated on a biennial basis until June 30, 2029 (sunset year of current statute). For status quo (Table 4), the change in Department costs from the 2021-2023 biennial period onward is due to the increased task force administration contract of \$300,000 and does not consider likely increases to the Department’s labor and indirect costs over time. This projection assumes that all task force contract funds are used, which is likely an overestimate.

California Department of Fish and Wildlife  
 Prepared by CDFW Marine Region  
 Worksheet of Projected Balances  
 Resulting from Adjustments to Buoy Tag Fees  
 DCTF EC Conference Call - July 2020

Funds are projected to decrease below the reserve threshold amount of \$1.4 million between July 2027 and June 2029 (number in bold).

Table 4. Summary of projections to Dungeness Crab trap limit account due to increases of the administration contract from the 2021-2023 biennial period onward.

Dungeness Crab Trap Limit Account Projected Balance (end of every Biennial Period)	Estimated Revenue from Trap Limit Fees	Estimated Department Costs	Biennial Period End Balance
6/30/2019*	n/a	n/a	\$2,137,749
6/30/2021	+\$1,490,000	<b>-\$1,484,000</b>	\$2,143,749
6/30/2023	+\$1,490,000	<b>-\$1,634,000</b>	\$1,999,749
6/30/2025	+\$1,490,000	<b>-\$1,634,000</b>	\$1,855,749
6/30/2027	+\$1,490,000	<b>-\$1,634,000</b>	\$1,711,749
6/30/2029	+\$1,490,000	<b>-\$1,634,000</b>	\$1,567,749

\*Reflects actual, not projected, balance

Based on a request from the DCTF, Department staff evaluated projections of the DCTLP account for the following alternatives that would modify the permit fee schedule and cost of tags.

Alternative 1: Change biennial buoy tag to an annual tag at the following per tag rate of:

- a. \$5/tag
- b. \$3.50/tag
- c. \$3/tag

Alternative 2: Decrease current cost of biennial buoy tag fee from \$5 to \$3.50/tag

For each Alternative, projections assumed that any change would be implemented by the biennial period that ends on June 30, 2023 and that task force contract costs are fully utilized. Similar to status quo, the balances do not account for increased Department labor and indirect costs over time and assumes all task force contract funds are used.

**Alternative 1**

Under Alternative 1, the Department explored the effects of changing from a biennial tag to annual tag under three different tag fees. An annual tag would increase the Department's License and Revenue Branch costs by \$162,000, as a result of staff purchasing, processing and shipping tags every year.

Under Alternatives 1a-1c, revenues would increase by \$777,750, \$263,025, and \$91,450, respectively. Alternative 1a (Table 5) and 1b (Table 6) do not show an end balance below the reserve threshold amount of \$1.4 million by June 2029, with the

California Department of Fish and Wildlife  
 Prepared by CDFW Marine Region  
 Worksheet of Projected Balances  
 Resulting from Adjustments to Buoy Tag Fees  
 DCTF EC Conference Call - July 2020

former showing an increase in the balance and the latter reducing the balance over each period. However, Alternative 1c (Table 7) would not only reduce the balance but would fall below the reserve threshold amount between July 2025 and June 2027.

Table 5. Alternative 1a: Summary of projected Dungeness Crab trap limit account balance under an annual buoy tag with fee set at \$5/tag.

Dungeness Crab Trap Limit Account Projected Balance(end of every Biennial Period)	Estimated Revenue from Trap Limit Fees	Estimated Department Costs	Biennial Period End Balance
6/30/2019*	n/a	n/a	\$2,137,749
6/30/2021	+\$1,490,000	-\$1,484,000	\$2,143,749
6/30/2023	+\$2,267,750	-\$1,796,000	\$2,615,499
6/30/2025	+\$2,267,750	-\$1,796,000	\$3,087,249
6/30/2027	+\$2,267,750	-\$1,796,000	\$3,558,999
6/30/2029	+\$2,267,750	-\$1,796,000	\$4,030,749

\*Reflects actual, not projected, balance

Table 6. Alternative1b: Summary of projected Dungeness Crab Trap Limit account balance under an annual buoy tag with fee set at \$3.50/tag.

Dungeness Crab Trap Limit Account Projected Balance (end of every Biennial Period)	Estimated Revenue from Trap Limit Fees	Estimated Department Costs	Biennial Period End Balance
6/30/2019*	n/a	n/a	\$2,137,749
6/30/2021	+\$1,490,000	-\$1,484,000	\$2,143,749
6/30/2023	+\$1,753,025	-\$1,796,000	\$2,100,774
6/30/2025	+\$1,753,025	-\$1,796,000	\$2,057,799
6/30/2027	+\$1,753,025	-\$1,796,000	\$2,014,824
6/30/2029	+\$1,753,025	-\$1,796,000	\$1,971,849

\*Reflects actual, not projected, balance

California Department of Fish and Wildlife  
 Prepared by CDFW Marine Region  
 Worksheet of Projected Balances  
 Resulting from Adjustments to Buoy Tag Fees  
 DCTF EC Conference Call - July 2020

Table 7. Alternative1c: Summary of projected Dungeness Crab Trap Limit account balance under an annual buoy tag with fee set at \$3/tag.

Dungeness Crab Trap Limit Account Projected Balance (end of every Biennial Period)	Estimated Revenue from Trap Limit Fees	Estimated Department Costs	Biennial Period End Balance
6/30/2019*	n/a	n/a	\$2,137,749
6/30/2021	+\$1,490,000	-\$1,484,000	\$2,143,749
6/30/2023	+\$1,581,450	-\$1,796,000	\$1,929,199
6/30/2025	+\$1,581,450	-\$1,796,000	\$1,714,649
6/30/2027	+\$1,581,450	-\$1,796,000	\$1,500,099
6/30/2029	+\$1,581,450	-\$1,796,000	<b>\$1,285,549</b>

\*Reflects actual, not projected, balance

### Alternative 2

Under Alternative 2, the Department looked at the effect of decreasing the biennial fee from \$5 to \$3.50/tag (Table 8). For this change, overall revenue would decrease by \$257,363 and Department costs are assumed to be the same as status quo. This change would result in the reserve threshold amount being reached much sooner, near the end of June 2023.

Table 8. Alternative 2: Summary of projected Dungeness Crab Trap Limit account balance under a biennial buoy tag with fee set at \$3.50/tag.

Dungeness Crab Trap Limit Account Projected Balance (end of every Biennial Period)	Estimated Revenue from Trap Limit Fees	Estimated Department Costs	Biennial Period End Balance
6/30/2019*	n/a	n/a	\$2,137,749
6/30/2021	+\$1,490,000	-\$1,484,000	\$2,143,749
6/30/2023	+\$1,232,638	-\$1,634,000	\$1,742,387
6/30/2025	+\$1,232,638	-\$1,634,000	<b>\$1,341,024</b>
6/30/2027	+\$1,232,638	-\$1,634,000	<b>\$939,662</b>
6/30/2029	+\$1,232,638	-\$1,634,000	<b>\$538,299</b>

\*Reflects actual balance, not projected

### Summary

The two effects for each alternative are summarized below and focus on the general trend of the DCTLP account balance over each biennial period along with the resulting change in fee schedule and price per buoy tag paid by Dungeness crab permit holders. Resulting fee differences are presented as a range between Tier 1 and Tier 7 permits (Table 9).

California Department of Fish and Wildlife  
 Prepared by CDFW Marine Region  
 Worksheet of Projected Balances  
 Resulting from Adjustments to Buoy Tag Fees  
 DCTF EC Conference Call - July 2020

Table 9. Summary of effects on the Dungeness Crab trap limit account and permitholders from status quo and proposed changes to buoy tag from Alternatives 1 and 2.

Option	Effects on DCTLP account	Effects on Dungeness crab permitholders
<b>Status Quo:</b> biennial tag; \$5/tag and increase DCTF contract	Stays above reserve by June 2029 with a marginal difference of \$0.08 million	None
<b>Alternative 1a:</b> annual tag, \$5/tag	Increases balance over each biennial period and balance remains above reserve with surplus of \$2.5 million by June 2029	Buoy tag fees are paid every year with overall cost of each tag doubling from status quo (Tier 1: +\$2,500 and Tier 7: +\$875)
<b>Alternative 1b:</b> annual tag; \$3.50/tag	Decreases balance over each biennial period but balance remains above reserve with surplus of \$0.3 million by June 2029	Buoy tag fees are paid every year with overall cost of each tag increasing by \$2 from Status quo (Tier 1: +\$1,000 and Tier 7: +\$350)
<b>Alternative 1c:</b> annual tag; \$3/tag	Decreases balance over each biennial period and balance falls below reserve with a difference of \$0.4 million by June 2029	Buoy tag fees are paid every year with overall cost of each tag increasing by \$1 from Status quo (Tier 1: +\$500 and Tier 7: +\$175)
<b>Alternative 2:</b> biennial tag; \$3.50/tag	Drastically decreases balance over each biennial period and balance falls below reserve with a difference of \$0.9 million by June 2029	Reduces cost of each biennial tag by \$1.50 from Status quo (Tier 1: -\$750 and Tier 7: -\$263)