

Virginia Marine Resources Commission Draft Spend Plan

Introduction:

The Coronavirus Aid, Relief, and Economic Security Act, (CARES Act) allocated \$300 million in fisheries assistance to the Secretary of Commerce to provide assistance to states, Tribes, and territories with coastal and marine fishery participants who have been negatively affected by the COVID-19 pandemic. The National Oceanic and Atmospheric Administration (NOAA), at the Secretary's direction, allocated portions of the funding to states, Tribes, and territories. The funds will be distributed through the regional fisheries Commissions. The Atlantic States Marine Fisheries Commission (ASMFC) will distribute Virginia's allocation once NOAA has approved Virginia's spend plan. The Virginia Marine Resources Commission (VMRC) will develop the spend plan for Virginia's allocation of \$4,520,475. The funding was allocated to Virginia based on ratios of what different sectors contributed to the Virginia seafood economy including: Charter-for-Hire (CFH), 4.9%, Commercial Fisheries/Aquaculture, 52.8%, Seafood Dealers/Processors, 42.30%. These allocations were based on past revenues and contributions and do not reflect estimated losses per sector due to the pandemic.

The COVID-19 pandemic has had a devastating effect on Virginia's seafood industry. Commercial watermen, aquaculture operations, seafood dealers and processors, and CFH businesses all experienced significant economic hardships due to the ongoing pandemic. State requirements to stay at home, close restaurants and non-essential businesses, such as the CFH industry, and limit out of state travel negatively impacted Virginia's fishing industry. The seafood industry in Virginia relies heavily on the restaurant market both within the US and abroad to deliver fresh seafood. Requirements to close restaurants or limit to take-out caused demand for fresh seafood to drop precipitously, particularly affecting the shellfish industry. Some seafood dealers began seeing impacts as early as January when foreign markets began to shut down. Travel restriction and quarantine requirements for out of state visitors drove down demand for restaurants in areas that depend on a high volume of coastal tourists. Restaurants that are open are operating with ongoing restrictions that limit customer capacity. There has been a slight increase in demand as restaurants reopen, but it does not approach the level seen in past years.

A closure of the CFH industry as a non-essential business was required by Virginia Executive Order from April 2 – May 15 and the industry has operated with restrictions that limit business since May 15th. Ongoing social distancing requirements limit capacity on CFH vessels. Further, decreased travel and tourism restrictions resulted in numerous canceled trips and ongoing decline in demand for charter trips. CFH vessels in Virginia have seen decreased activity due to shutdown orders and ongoing prevention measures that limit capacity resulting in economic hardships for the industry.

Approach:

Stakeholder input:

VMRC developed an online survey, and convened a web-based working group to solicit input from affected constituencies.

VMRC's online survey contained 10 questions (see Appendix 1) and was sent to all MRC-ID permit holders who have an email address on file with the agency¹. The survey was also posted on the VMRC website and Facebook page and distributed to watermen's associations and recreational fishing organizations. Responses were accepted for two weeks and yielded 466 responses. The average loss according to survey participants was \$33,000² and 67% of respondents lost more than 35% of their income from January to May 31, 2020. Based on individual answers, many people lost significantly more than 35% of their income. The majority of respondents (91%) supported direct payments. Overall, every sector lost a significant portion of their income.

VMRC convened a working group of stakeholders composed of existing agency advisory committee members and represented the four sectors in Virginia: commercial watermen, aquaculture harvest, dealers/processors, and CFH. The working group voiced support for limiting funding to full-time participants in the fishery and flat payments for sectors. There were mixed opinions regarding if all approved applicants should receive the same direct payouts given the losses, or if different sectors should receive different payouts based on the sector-based revenue information NOAA used to determine Virginia's allocation. It was acknowledged that the dealer sector likely had larger economic impacts, but that given the size of the possible payout, it would not be enough to meaningfully address the impact.

Eligibility:

All participants must meet the following criteria:

- 1) Must certify via an affidavit an economic loss of at least 35% from March 1, 2020 to May 31, 2020 compared to the most recent five-year period. Applicants must be able to provide supporting documentation upon request from either VMRC or the Federal Government, including but not limited to tax records, financial records, and harvest reports.
 - a. Applicants who have participated in a fishery for less than five years, but meet all other criteria can apply and will be considered, but may be asked to submit additional documentation.
- 2) Must be 18 years old by March 1, 2020.

¹ Approximately 60% of permit holders.

² We dropped zeros and the highest number to better reflect the average loss per respondent. Keeping in the highest and lowest values resulted in a mean of \$68,000.

- 3) Must be a Virginia resident as it appears in VMRC's Licensing Database.
- 4) Must have been issued an MRC ID number in 2020³, OR a Potomac River Fishery Commission (PRFC) License. If applying with a PRFC license, must be able to prove Virginia residency. (See Table 1 for license holders).
- 5) Must have documented fishing activity in 2019. For commercial watermen, aquaculture operations, and seafood dealers and processors sectors, VMRC will verify harvest, landings, and sales information via Virginia's Mandatory Harvest Reporting Database (Data uploaded as of 8/5/2019). Applicants applying under an Oyster Aquaculture Harvester Permit (109), Clam Aquaculture Harvester Permit (120) or licensed CFH captains, must submit additional documents that prove their participation in a fishery in 2019.
 - a. If the applicant does not have documented fishing activity in 2019, but has documented fishing activity in 2018, they must apply through the appeals process and prove that they did not fish due to hardship for medical or military reasons. If claiming medical hardship, individuals must submit a signed letter from a treating physician. If individuals are claiming a military exemption, they must submit a signed letter from the Commanding Officer and a copy of orders.
- 6) Must certify via affidavit that 50% of the individual's total income is derived from fishing activities. Applicants must be able to provide additional documentation to support the affidavit upon request from VMRC.
- 7) Participants who received other sources of economic funding are eligible to apply, provided that the sum total of the economic assistance does not exceed losses.
- 8) Must not have any current compliance issues or licenses revoked by VMRC. Payments will be held for qualified applicants until compliance issues are resolved. Assistance will be forfeited after 20 days if the issues are not deemed resolved by VMRC.
- 9) Must certify s/he is not in violation of any federal laws.

³ Due to office closures, there are some individuals who may still be fishing on a 2019 license. We will work with that individual providing s/he meets all other criteria.

Table 1: Number of VMRC and PRFC license holders

Sector	Number of MRC ID and PRFC⁴ License Holders
Charter-for-Hire	242
Commercial fishing and Aquaculture	2,874
Dealer or Processor	244
Total	3,360

Process:

VMRC will distribute the majority of Virginia’s CARES Act funding as direct payments.

Different distribution formulas were considered based on sector loss with the goal to be efficient, transparent, and minimize the burden on applicants. Based on Virginia’s estimated loss due to COVID-19 pandemic, the economic loss for each sector will far exceed the amount of available disaster funding.

Several options were considered including a tiered approach based on losses, a flat rate approach per sector based on the NOAA ratios, and flat payment per application regardless of sector.

The first option considered, a tiered approach based on losses, was discarded because it would have substantially increased the time (estimated 6-8 months) it would take to distribute money to individuals, would require a substantial paperwork burden on applicants, and would require additional staffing costs to cover the workload, decreasing available relief funding. The second option was to use sector-based revenue information provided by NOAA that was used to allocate the CARES Act funding to each state. An allotment of money would be designated for each sector based on those ratios. (total funding*percent of INDUSTRY= amount for that sector)(Table 2). The third option was to provide each applicant the same payment regardless of sector. Options 2 and 3 did not differ markedly in the estimated payments to CFH, commercial watermen, and aquaculture operations. However, under the second option, seafood dealers and processors would receive a higher payout. Based on feedback from the working group of some of the stakeholders, this difference would not be enough to make a meaningful impact on their losses, given the small amount of money.

⁴ This is an incomplete list of PRFC permit holders, but reflects the number we have at this time. These numbers do not reflect the number of fully qualified applicants, just those who might be eligible.

VMRC chose the third option: each applicant will receive the same payment regardless of sector. Under this option, VMRC will be able to distribute funds efficiently while minimizing the burden to the applicant.

Table 2: NOAA sector-based revenue allocations and percentages

Sector	Number of MRC-ID Holders	Percent	Allocation
Charter-for- Hire	242	4.90%	\$180,531.24
Commercial Fishing and Aquaculture	2,874	52.80%	\$1,945,316.21
Dealer or Processor	244	42.30%	\$1,558,463.55
Total	3,360		\$3,684,311

Distribution plan:

- 1) All eligible applicants will receive the same amount of assistance, **regardless of how many sectors in which they qualify.**
- 2) Appeals will be considered as part of a \$799,000 set aside.
- 3) Remaining funds after the appeals will be used for individual fisheries grants to address fishery impacts from COVID-19, participants that may not have qualified in the first round, or ongoing economic impacts. VMRC will develop a spending plan addendum to provide more detail on how additional monies will be spent before further distributing funds.

Applications Process:

- 1) Applications must be completed and received by mail or through the online service by the assigned deadline. The application process will be open for three weeks.
- 2) All applications will be reviewed with those eligible receiving an equal share of the available funds.
- 3) Names, addresses, tax ID information, and amount of assistance will be forwarded to ASMFC who will distribute checks.
- 4) Those not eligible will be contacted with information regarding appeals. An individual can appeal **NOT** getting assistance, but not the amount of assistance. Appeals will be heard through an independent panel whose decision is final.

The application process will be open for three weeks. Once VMRC has received all applications, they will be reviewed to ensure all eligibility requirements have been met. When all applicants have been approved, VMRC will take the amount of disaster relief (see budget) and divide it by the number of applicants to get the direct payment for each applicant. All payments will be made by ASMFC with authorization from VMRC. **Direct payments are taxable** and the IRS will be notified of the applicants receiving these funds. Applicants will need to include a social security number or tax ID with their applications and ASMFC will send 1099 forms at the end of the calendar year.

Applicants who are denied assistance will receive a certified letter in the mail and will have two weeks to appeal the decision. VMRC will convene an appeal panel of three people from outside the agency. We will reach out to the Virginia Institute of Marine Science, Virginia Sea Grant for reviewers. Applicants who choose to appeal may be required to submit additional documentation to support their claim.

Expected benefits:

The direct payments will provide financial relief to participants in Virginia's fishing industry that have been negatively impacted by the COVID-19 pandemic. The program will be completed when all funding has been distributed to affected parties.

Budget:

Budget Item	Amount
Direct assistance payments	\$3,684,311
NOAA administrative fee	\$31,643.33
ASMFC administrative fee	\$4,520.48
Postage	\$1,000
Appeals, small grants, future needs	\$799,000
Total	\$4,520,475

VMRC will allocate the majority of funding for direct assistance payments, \$3,684,311. A total of \$36,164 was withheld for administrative fees by NOAA (0.7%) and ASMFC (0.1%). VMRC permit holders will be notified of the applications process by mail and denied applicants will be notified via certified mail, therefore VMRC is requesting \$1,000 be set aside to cover postage costs. VMRC is requesting \$799,000 be set aside for potential appeals, small grants, and addressing participants who did not meet the eligibility requirements in the first round of funding. Once the initial round of funding is allocated and appeals are completed, VMRC will develop and submit an addendum to detail how the remaining funding will be spent.