

## **Project and Budget Narrative:** 2021 Virginia COVID-19 Fisheries Disaster Relief Funding Proposal

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**Objective:** This project will manage the application process of Virginia's allocation of funding to eligible participants negatively affected by the COVID-19 pandemic as allowable under the Consolidated Appropriations Act, 2021.

### **Background:**

On March 29, 2021 NOAA Fisheries announced the allocation of \$255 million in fisheries assistance to states and territories with coastal and marine fishery participants who have been negatively affected by COVID-19. These funds are provided as part of the Consolidated Appropriations Act, 2021 and will be distributed through the regional fisheries Commissions. The Atlantic States Marine Fisheries Commission (ASMFC) will work with Virginia to distribute funds based on the state's application process as presented in this spending plan once approved by NOAA.

These funds are in addition to those provided by the Coronavirus Aid, Relief, and Economic Security Act, (CARES Act), which allocated \$300 million in fisheries assistance in spring 2020 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 VMRC provided a list of 718 qualified applicants to ASMFC to distribute Virginia's entire allocation of CARES Act fisheries disaster relief funds between September 2020 and February 2021.

The COVID-19 pandemic has had a devastating impact on Virginia's seafood industry. Commercial watermen, aquaculture operations, seafood dealers and processors, and Commercial For-Hire (CFH) businesses all experienced significant economic hardships during 2020 and continue to face those 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 services 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, 2020 when foreign markets began to shut

down, and they continue to see those impacts into 2021. 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.

In recent months, there have been small increases in demand as restaurants and other retailers reopen, but these increases do 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, 2020, and the industry operated with restrictions that limited business from May 15, 2020 through June 1, 2021. Social distancing requirements limited capacity on CFH vessels. Preliminary fishing effort estimates (trips) reported by NOAA's Marine Recreational Information Program (MRIP) indicate Virginia CFH fleet had 32% less trips in 2020 compared to 2019, and 41% fewer trips compared to the 10-year average. 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 prevention measures that limited capacity resulting in economic hardships for the industry.

Based on Virginia's estimated loss due to the COVID-19 pandemic, the economic loss for each sector will far exceed the amount of available disaster funding from both the 2020 and 2021 relief programs.

#### **Approach:**

NOAA allocated the 2021 funds using the same average annual revenues from fisheries sectors in the previous CARES Act allocation (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.

During the 2020 Virginia Fisheries Disaster Relief Program, the VMRC developed an online survey, convened a web-based working group, and held a public comment period to guide the development of the 2020 spend plan. Different distribution formulas were considered based on sector loss with the goal to be efficient, transparent, and minimize the burden on applicants. At that time, the VMRC chose to distribute payments to qualified applicants evenly, regardless of sector or level of loss. This option was chosen because it allowed payments to be distributed more quickly to applicants. Sector-based allocation was not favored because many of the largest stakeholders suggested that payments would not be large enough to make a meaningful impact on their losses, given the small amount of disaster relief funding available to the state. While evenly distributed payments allowed for a more efficient and simple process, it provided a much higher proportion of loss recovery to smaller fishing operations, but provided less proportional relief to larger businesses and fishing operations, some of which reported large losses.

For the disaster relief funds provided in 2021, the VMRC considered a different allocation of funds based on the individual's level of loss in order to provide a more equitable level of relief

across Virginia's fisheries. Emphasis was placed on maintaining an efficient and transparent process, while also allowing payments to be scaled to an individual's level of loss during 2020.

On May 24, 2021, the VMRC reconvened the stakeholder working group to hear comments and concerns about the 2021 disaster relief program. Based on the input from the stakeholder working group, methodology was developed to provide funding based on an individual's reported loss scaled to the entire fishery's loss in 2020. The VMRC opted not to utilize NOAA allocation sectors because loss was variable based on the individual and region within the sectors. The methodology in the following detailed spend plan, once reviewed and approved by NOAA, may be used for any future funds appropriated by Congress for the same purpose.

Virginia's 2021 Draft Funding Proposal (spend plan) was published for public comment prior to submitting this plan for review.

**Process:**

VMRC will manage the application process and provide ASMFC the necessary information to distribute \$3,687,152 of Virginia's allocation as direct payments to eligible participants and appellants. Eligible participants include Tribes, people, and fishery-related businesses who have direct or indirect economic revenue losses due to COVID-19 greater than 35 percent as compared to the three-year average revenue (2017-2019). Fishery-related businesses include commercial fishing, aquaculture, dealers, processors, and for hire vessel operators who hold an MRC ID. Bait and tackle, retail, and vessel suppliers are excluded from participation in this program.

NOAA Fisheries took into consideration negative impacts to subsistence, cultural, and ceremonial fisheries during the allocation process for this program. It is the understanding of this agency that these provisions were accounted for prior to the allocation of funds from the states.

**Eligibility Criteria:**

1) Must certify via an affidavit an economic loss of greater than 35% was incurred from January 1, 2020 to December 31, 2020 compared to the most recent three-year period (2017-2019). If an applicant participates in more than one sector of the fishery, income and losses from all participation may be combined to calculate total fisheries income and the total loss claimed for 2020. 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 three years, but meet all other criteria can apply and will be considered, but may be asked to submit additional documentation including but not limited to: tax records, dealer reports, aquaculture harvest reports, and reported landings.

B. Applicants must have participated in Virginia's fisheries a minimum of 1 year. Applicants that have participated in a fishery less than one year are not eligible, and applications will not be considered, and there will be no appeal process.

2) Must be 18 years old by March 1, 2020.

3) Must be a Virginia resident as it appears in VMRC's Licensing Database.

4) Must have been issued an MRC ID number in 2020, 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 or 2020. 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 5/20/2021). If individuals are applying under an Oyster Aquaculture Harvester Permit (109), Clam Aquaculture Harvester Permit (120) or as a CFH captain they must submit documents that demonstrate they were an active participant in the fishery including but not limited to federal tax documentation, harvest reports, or receipts (must include applicant's full name).

6) Participants who received other sources of economic funding are eligible to apply, provided that the sum total of the economic assistance in addition to traditional revenue earned does not exceed the average annual revenue earned over the previous 3 years.

7) 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.

8) Must certify s/he is not in violation of any federal laws.

### **Application 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 at least 30 days. Applications received after the published due date will not be reviewed or considered. Appeals will not be accepted for applications received after the published application due date.

2) Any applicant claiming a total loss higher than \$50,000 will be required to provide tax documentation showing their 2019 and 2020 fisheries-related income.

3) If the reported claim is substantially higher than the estimates based on available data, the application will be flagged for further review.

4) All applications must be complete with an application form, affidavit, completed worksheet, and back up documentation (if applicable).

5) 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.

6) Names, addresses, tax ID information, and amount of assistance will be forwarded to ASMFC for payment distribution.

The VMRC will contact each licensee via the mailing address on file with information on eligibility. Those deemed ineligible to apply will be provided instructions to request an appeal of eligibility. Those deemed potentially eligible (who have landings in 2019 or 2020 or those with licenses that do not require mandatory reporting) will receive an application packet, including an affidavit to certify their eligibility and loss, as well as a worksheet to report total fisheries-related losses (all sectors combined) and disaster relief income during 2020. Applicants will be encouraged to apply via the online application system to avoid mail delays. The application process will be open for at least 30 days. Once VMRC has received all applications, they will be reviewed and verified to ensure all eligibility requirements have been met. Those with incomplete applications will be contacted a maximum of two times (via telephone or email, if provided) to notify them of the incomplete application. If there is no contact after 10 business days, then the application will be denied with no option for appeal.

### **Appeals:**

Applicants who are denied assistance will receive a maximum of two phone calls to inform them of the denial. If the VMRC does not make contact with the applicant via calls, the denied applicant will be mailed a denial letter. Applicants will have 10 business days from notification of denial to appeal the decision and must provide any missing or back up documentation (such as 2019 or 2020 tax records that indicate employment) at that time. Appeals received more than 10 days after the documented notification will not be considered. The VMRC will convene an appeal panel of three people from outside the agency. We will reach out to the Virginia Institute of Marine Science and Virginia Sea Grant for reviewers. Appeals will be processed within three weeks and all decisions rendered in the appeal process are final.

### **Individual Aid Determination:**

Once all applications and appeal claims are received, reviewed, and verified, the VMRC will determine the proportion each individual's loss relative to the combined total loss from all qualified applicants. If the total revenue loss is less than the available funds, then individuals will be paid the amount of claimed loss, up to a maximum of 10% of the total available funds. If the total revenue loss exceeds the available funds, the individual's proportion will be applied to the award amount to determine individual relief amount. No applicant will be paid more than the total claimed loss, less any other fisheries related disaster relief payments (made more than whole). No applicant may claim less than \$500, and no payment will be made less than \$200.

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 the ASMFC will send 1099 forms at the end of the calendar year.

**Additional Programs:**

If the total combined revenue loss from all eligible applicants is less than the available funds, then the VMRC will use the remaining amount available for assistance for programs to benefit Virginia fisheries. Programs will be developed in consultation with the Marine Products Board and the Virginia Institute of Marine Science. At this time, the VMRC expects that total claims will exceed total available funds. If remaining funds are less than 10% of the total award (\$368,715), then monies will be distributed on a pro rata basis to applicants who have not yet been made whole.

**Expected Benefits and Evaluation of Program:**

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 or spent on programs to benefit Virginia's fishing industry.

**Budget:**

Virginia was allocated \$3,814,298. NOAA, ASMFC, and VMRC will assume administrative fees (detailed below).

**Administrative Fees:**

**NOAA** **\$41,925**

**ASMFC** **\$9,432**

**VMRC (detailed below)** **\$76,289**

VMRC personnel: \$69,634

Project manager (4.5 months plus fringe)  
Fisheries Personnel (0.5 months plus fringe)  
IT Personnel (1.5 month plus fringe)  
Hourly Support Personnel (6 months)

The project manager will research, review, and create the spend plan, application, outreach materials, and associated documentation for the project. The project manager and fisheries personnel will provide applicant assistance and train hourly support. The IT personnel will develop and maintain the online database and application system as well as provide program support as needed. Hourly support includes part time personnel hired to help assist applicants with questions and application submission and to help with application input and review.

Postage \$4,155

Includes first class postage (5,000), certified mail (100), and mailing supplies including window envelopes and paper

Advertisements \$2,000

**Direct Assistance: \$3,687,152**

<b>Budget Item</b>	<b>Amount</b>
Direct assistance payments to applicants	\$3,687,152
NOAA and ASMFC administrative fees	\$51,357
VMRC administrative fees	\$76,289
<b>Total</b>	<b>\$3,814,298</b>

## **Project Timeline:**

April - July 2021

- Reconvene Fisheries Disaster Relief Working Group
- Develop Virginia's 2021 Spend Plan
- Publish Draft Spend Plan for public comment
- Submit proposal and budget to NOAA for Review and Approval

August - September 2021

- Advertise and notify licensees of application process and timeline
- Open and manage application period (no less than 30 days)
- Review applications (ongoing)

October - November 2021

- Complete Application review and notification
- Process appeals through appeals board
- Send names and amount of relief funds to ASMFC for payment distribution

December 2021 - February 2022

- Complete additional programs (if applicable)