

GROUND FISH ADVISORY SUBPANEL REPORT ON LEGISLATIVE MATTERS

The Groundfish Advisory Subpanel (GAP) heard an update on the current status of the Pacific REFI Act from Ms. Heather Mann. The Pacific REFI is legislation that refinances the current Buyback loan under more favorable terms, most notably taking advantage of lower interest rates and capping the annual out-of-pocket payments to no more than 3 percent of ex-vessel value (versus the current 5 percent).

The Pacific REFI was passed through Congress as part of the National Defense Authorization Act (NDAA) and was subsequently signed into law by President Obama on December 26, 2014. As previously noted in the September 2014 Supplemental GAP report (Agenda Item I.1.c) the Congressional Budget Office (CBO) scored the legislation as needing a \$7 million offset. This offset was described as the amount of revenue that the U.S. government would lose by refinancing the loan. The Pacific REFI Act was fully offset by \$7 million, which was included in the passage of the NDAA.

On January 29, 2015 when the industry was eagerly awaiting notice from the National Marine Fisheries Service (NMFS) on how quickly they could implement the refinance, the industry was notified by NMFS that the Office of Management and Budget (OMB) had determined that an additional appropriation of \$10.3 million would be necessary before the outstanding loan balance could be refinanced. OMB has given no justification for how they calculated the \$10.3 million appropriation, nor have they justified their apparent disregard of the \$7 million offset contained in the NDAA. With no appropriation vehicle available for FY2015, NMFS reported to the industry that they would have to look to FY2016 to seek the appropriation.

To add insult to injury, NMFS has continued to insist that in order to refinance the loan they would require a referendum of affected trawl permit holders even though Congress wrote the legislation so that a referendum would not be necessary. The trawl industry has suggested that a simple petition of a majority of permit holders is sufficient and more cost-effective and that a formal referendum is a waste of time, energy, and limited resources. Querying the industry on whether or not they would like to refinance the loan under better terms is, frankly, unnecessary.

To date, the industry has paid back 97 percent of what was originally borrowed. As of February 6, 2015 \$34.7 million had been paid towards a \$35.6 million loan (see attached summary table provided by NMFS Office of Financial Services as of 2/6/2015). Incredibly, the fleet still owes \$26.4 million. Even though Congress has acted, OMB has now determined that an additional \$10.3 million appropriation is necessary before the \$26.4 million loan balance can be refinanced. This is a significant blow to the west coast trawl industry, and, as the Council has heard repeatedly, the costs of participating in the west coast trawl industry are unsustainable. The relief afforded by the refinance is something the fleet needs now and it will save the fleet over \$1.5 million the first year of implementation. The GAP recommends the following:

1. The Council should write a letter to NMFS leadership encouraging them to accept a petition of a majority of permit holders as evidence of the fleet's desire to refinance the Buyback loan in lieu of a formal referendum.

2. The Council should direct Council staff to respond to any congressional inquiries regarding the current situation with OMB. Those comments should encourage the OMB to accept the CBO score and \$7 million offset contained within the NDAA as sufficient to refinance the Buyback loan so that the loan can be refinanced as soon as possible.

**Summary of Pacific Coast Groundfish Buyback
Sub-Loan Balances**

Pacific Coast Groundfish Buyback Program Sub-loans	Original Loan Amount	Current Principal Balance	Current Outstanding Interest	Total Buyback Fees Paid
Limited Entry Trawl Permit Groundfish	\$28,428,718.88	\$ 25,955,567.97	\$ 78,978.71	\$ 24,217,144.89
California Dungeness Crab	\$2,334,334.20	\$0.00	\$0.00	\$ 3,447,466.37
Oregon Pink Shrimp	\$2,228,844.53	\$0.00	\$0.00	\$ 3,253,339.26
Oregon Coastal Dungeness Crab	\$1,367,545.28	\$0.00	\$0.00	\$ 2,117,701.75
California Pink Shrimp	\$674,202.18	\$ 313,252.79	\$ 4,845.29	\$ 849,836.85
Washington Dungeness Crab	\$369,425.93	\$ 135,003.05	\$ 180.46	\$ 474,992.63
Washington Pink Shrimp	\$259,399.63	\$0.00	\$0.00	\$ 402,592.36
Total:	\$35,662,470.63	\$ 26,403,823.81	\$ 84,004.46	\$ 34,763,074.11

As of: 2/6/2015

PFMC
03/06/15