Fisheries Financing Program
PROGRAMMATIC ENVIRONMENTAL ASSESSMENT

United States Department of Commerce

National Oceanic and Atmospheric Administration

National Marine Fisheries Service

January 2015

Proposed Action:

The Proposed Action (i.e., preferred alternative) is to continue the Fisheries Financing Program (FFP), which provides loans to fishers, fish processors, aquaculturists, charter fishing operators and others, as authorized under Title XI of the Merchant Marine Act of 1936, as amended (codified at 46 USC 53701); Section 303(a) of the Sustainable Fisheries Act amendments to the Magnuson–Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act); and, from time to time FFP-specific legislation.

Background:

Since 1971, the United States Department of Commerce (DOC)[1] has implemented the provisions of the Merchant Marine Act of 1936, as amended, and Section 303(a) of the Sustainable Fisheries Act amendments to the Magnuson Stevens Act, as well as periodic appropriations acts, by conducting a direct lending program. The purpose of this program is to finance or refinance the construction, reconstruction, reconditioning, and, in some cases, the purchasing of fishing vessels, shoreside processing, aquaculture and mariculture facilities, and the purchase of individual fishing quota (IFQ). The program is implemented by the NOAA Fisheries Office of Management and Budget, Financial Services Division (FSD). No programmatic environmental analyses have previously been developed for this program. Until now, program actions have been reviewed for environmental impact on a project-by-project basis, or provided a Categorical Exclusion, as appropriate, during the loan approval process.

Type of Document: Programmatic Environmental Assessment

Lead Agency: U.S. Department of Commerce, NOAA, National Marine Fisheries Service (NMFS)

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This Programmatic Environmental Assessment (PEA) was prepared in accordance with the NOAA National Environmental Policy Act implementation procedures found in NOAA Administrative Order (NAO) 216-6, Council on Environmental Quality (CEQ) regulations at 40 CFR 1500 et seq., as well as the National Environmental Policy Act of 1969, Public Law 91-190, 42 USC 4321-4347, 1 January 1970, as amended (NEPA).

[1] Acting by and through the Administrator, National Oceanic and Atmospheric Administration (NOAA), Assistant Administrator, National Marine Fisheries Service (NMFS), and the Chief, Financial Services Division (FSD)

EXECUTIVE SUMMARY

BACKGROUND

The DOC, NOAA, National Marine Fisheries Service (NMFS) proposes to continue operation of the FFP funded by the enactment of Division B, Title I of H.R. 3547, Consolidated Appropriations Act, 2014 (2014 Appropriations). The purpose of this program is to finance or refinance the construction, reconstruction, reconditioning, and, in some cases, the purchasing of fishing vessels, shoreside processing, aquaculture and mariculture facilities, and the purchase of IFQ.

In FY14, Congress provided $100 million in traditional and $24 million in IFQ lending authority. Traditional lending is available for all the FFP authorized purposes except IFQ lending and capacity reduction (buyback) programs. The traditional loan authority has been $59 million annually since the 2004 budget. The FY13 IFQ loan authority increased from $16 million in 2011. It is anticipated that similar lending authority will be provided in subsequent years.

The FFP also has unused Community Development (Quota Share) Group (CDQ) loan authority that, unlike traditional and IFQ lending, remains available until used. CDQs are groups of economically disadvantaged Western Alaska communities that hold quota shares in Alaska fisheries. This lending authority is designed to support employment and provide economic opportunity to these communities. The environmental impacts are identical to those described for the traditional and IFQ loan programs, as discussed in this PEA.

The FFP is administered by NMFS on behalf of the Secretary of Commerce. This PEA is being prepared by NMFS to examine the potential environmental consequences associated with continuing operation of the FFP. This PEA does not address buyback program loans, because buyback programs derive from Fisheries Management Programs[2] that are subject to their own NEPA reviews prior to implementation. Buyback loans are also of a different order, with a different implementation process, from traditional or IFQ loans.[3]

The CEQ encourages agencies to use program, policy, or plan NEPA documents to eliminate repetitive discussion of the same issues (40 CFR 1500.4(i)). A programmatic environmental review should analyze the broad scope of actions within a policy or programmatic context by defining the various programs and analyzing the policy

[2] Such plans may incorporate a NEPA document into a single consolidated package. (NAO-216-6: 4.01n) see also "Environmental Assessment, Regulatory Impact Review, and Final Regulatory Flexibility Analysis for a Fishing Capacity Reduction Program in the Southeast Alaska Purse Seine Salmon Fishery" NMFS/FSD: September 2011.

[3] Loans are made to an entire fishery, for a term and at repayment rates defined by Congress. The loan is not secured by collateral. Rather, the source of loan repayment is a fee on landings in the fishery.

alternatives under consideration and the general environmental consequences of each.

PURPOSE AND NEED FOR THE PROPOSED ACTION

The purpose of the Proposed Action is to provide the commercial fishing community with economic support in a manner consistent with the Agency's mission to promote the long-term sustainability of fisheries resources, while generating social and economic opportunities and benefits from the use of those resources. In order to achieve this purpose, NMFS needs to administer a financing program in a manner that will support the development and implementation of conservation and management measures to prevent overfishing, rebuild depleted stocks, and promote the long-term health and sustainability of fisheries as envisioned in the Sustainable Fisheries Amendments of the Magnuson Stevens Act (P.L. 94-265 as amended by P.L. 109-249 and P.L. 111-348). It is also reflected in the NMFS FSD's responsibility, as assigned by the Secretary, to administer the FFP by providing financing for designated fisheries-related activities, in accordance with annually-renewed loan authority.

PROPOSED ACTION AND ALTERNATIVES

The Proposed Action is the No-Action/Status Quo Alternative (Alternative 1) which is to continue operation of the FFP, as enacted by Congress, because it has been successful since 1971. The two additional alternatives under consideration are to (a) modify the lending program to minimize environmental impacts (Alternative 2), or (b) cease making new loans but continue monitoring and servicing the current FFP loan portfolio (Alternative 3).

Alternative 1 would involve using the lending authority provided by the Congress in annual appropriations acts to make loans to fishers, fish processors, and others for fisheries projects, on a first come, first served basis.[4] All program applicants are subjected to background checks for fisheries violations and confirmation that they have all permits necessary for their operations, in addition to creditworthiness and financial condition. This ensures that program users are operating in a safe manner that respects all resource and environmental requirements. This would represent no change from the current program, which provides direct loans for vessels, shoreside and offshore projects, and quota share purchases.

Shoreside and land-based facilities loans, associated with either wild or farmed fish, have also been essentially financial transactions. The most common example of this is the owner of a shoreside facility refinancing existing debt to obtain a better interest rate and/or term. There are no physical or operational changes - only the lender changes. However, to the extent that the loan facilitates physical or operational changes, NMFS requires shoreside, land-based facilities to provide individual, site-specific

[4] One exception to the "First-come, first served" practice is a policy preference for Aquaculture projects, addressed below.

environmental evaluations, so that NMFS may comply with NEPA prior to the release of any loan funds. By the same token, aquaculture projects are not considered for loans until they have satisfied U.S. Army Corps of Engineers permit requirements as well as applicable State and local permits and reviews. Borrowing funds does not change their permitted activities. In other words, if the proposed loan will not change the nature and character of an already permitted action (such as refinancing an existing loan), then no further NEPA review is required. A loan that would support new construction would be subject to separate NEPA review.

Alternative 2 would modify the program to select projects with the least environmental impacts. This would involve changing the mix of vessel and shoreside project types to be supported through the FFP. The FFP's vessel lending is essentially a financial transaction, because the FFP does not finance the construction of new vessels, or projects that materially increase a vessel's harvesting capacity. All vessels that are the subject of FFP lending must have the appropriate permits and harvesting allocations prior to receiving a loan. The FFP only provides financing for a vessel that has permits, quota, or harvesting allocations of some type. The FFP will not provide financing unless the environmental effects of the underlying fishing operations were evaluated as part of the fisheries management plan and its NEPA review.

Alternative 2 would require ranking loan applications against each other on an environmental basis. However, applications for shoreside facilities are already reviewed environmentally prior to loan approvals, and vessel loans have historically been considered categorical exclusions, so there is presently no accumulation of data that supports an estimate of how environmental impacts would be reduced. Furthermore, the process of ranking loan applications by their environmental impacts would place an undue burden of time and uncertainty on borrowers. The FFP lending authority has often been delayed substantially. Adding an environmental ranking process would extend that delay, possibly preventing loans from being executed prior to the annual lapse in lending authority.

Alternative 3, halting the program, would mean not implementing a Congressionally-authorized program, and increasing the fishing industry's reliance on the private sector for its financing needs. At present, fishers and fish processors benefit from the FFP terms, which are not generally available from the private sector at comparable cost. These include no cost for early repayment, fixed as opposed to variable interest rates, and loan terms of as much as 25 years (30 years for CDQ loans).

The direct environmental impacts of alternatives 2 and 3 would be roughly the same in terms of resources and habitats. Regardless of which alternative NMFS adopts, fishers will continue to fish and shoreside or aquaculture facilities will continue to grow and process fish. If Alternative 3 is selected, some projects would be successful in securing private sector financing, but not all – possibly not most. However, if fishers leave the

fishery due to their inability to secure financing, they will be replaced by other fishers in due course. Thus, the direct environmental impacts of Alternative 3 would be negligible.

The indirect environmental impacts of the proposed alternatives, however, could differ dramatically. For example, without a federal loan program (Alternative 3) there may be some fisheries projects financed in the private sector that would not undergo more rigorous environmental review, such as under the Endangered Species Act (ESA), Marine Mammal Protection Act (MMPA), or National Historic Preservation Act (NHPA). In fisheries outside of State waters, there may not be state-level environmental reviews of projects financed without the FFP. Furthermore, without the program, the level of financing available may decline, as the private sector reflects recent economic turmoil through tighter qualifying standards or a reduction in lending effort provided for fisheries in general.

Without readily available financing, some fishers may leave the fishery, potentially resulting in a reduction in resource and habitat impacts. Such declines, however, may be offset by increased fishing activity by the remaining fishers. Such a sequence of events is likely to result in short and long-term adverse social and economic effects, particularly on small fishers and new entrants to the fisheries. Therefore, halting the loan program (Alternative 3) would likely have greater negative socio-economic impacts with potentially neutral environmental impacts than continuing the program (Alternatives 1 & 2).

If NMFS ceased making loans, the following actions in 2015 and future years would be required:

- Not to use lending authority for traditional loans of $100 million in FY 2015 or future years
- Not to use lending authority for IFQ loans of $24 million in FY 2015 or future years

Summary of Environmental Consequences

NMFS does not anticipate any of the alternatives to result in direct environmental impacts, but the alternatives could result in indirect effects because the FFP contributes to greater financial stability of the fishers and may facilitate increased fishing and processing activity as the managed fisheries continue to recover.

Under the No Action/Status Quo Alternative (Alternative 1), no direct impacts to biological resources are expected. In terms of socio-economic impacts, any positive short-term and long-term direct and indirect minor impacts will continue under Alternative 1, as fishing or fisheries-related operations benefit from a reliable and affordable source of financing for their industry. Some long-term and indirect minor

impacts to fisheries and habitats may continue to result from efficiencies of scale achieved through long-term use of the FFP by fishers and fish processors. These impacts are projected to be minimal from year to year, but may increase over time, particularly if managed fisheries grow sufficiently to allow significant increases in fishing intensity.[5] However, while individual aquaculture facilities may cause minimal adverse impacts on river or coastal environments, the cumulative direct and indirect environmental impacts from these facilities may, over time, exceed minimal thresholds. Future project-specific analysis under NEPA will be required to identify these impacts prior to project-specific approval under the FFP.

Alternative 2 would have minimal adverse direct environmental impacts, since loan applicants have to have all necessary permits in order to be eligible to borrow from the FFP. Financial staff are unlikely to select projects to minimize negative environmental impacts more effectively than the existing NEPA process. Alternative 3 would have moderate adverse direct environmental impacts, primarily from disruption in the fisheries due to lack of financing availability. In both alternatives 2 and 3 there may be some minimal to moderate adverse indirect impacts that would accrue over time.

A summary of the potential direct, indirect, and cumulative impacts of the three alternatives, including the Proposed Action, is presented in Table ES-1.

Table ES-1. Summary of Environmental Consequences.

Impact Type	**No-Action/Status Quo (Alternative 1)**	**Modify FFP (Alternative 2)**	**Halt Loan Program[6] (Alternative 3)**
Direct			
Socio-Economic	Moderate-beneficial	Minimal-adverse	Moderate-adverse
Biological	Minimal-adverse	Minimal-adverse	Moderate-adverse
Physical	Minimal-adverse	Minimal-adverse	Moderate-adverse
Cultural[7]	None	None	None
Health & Safety[8]	None	None	None

[5] As the fisheries recover, the same proportion of the biomass may be harvested, but this may represent a large increase in total catch in comparison with today, requiring many more vessels. The increase in vessels would raise fishing "intensity." Thus, if the increase in fishing intensity occurs, a further environmental evaluation will be conducted to ensure that a final Programmatic Environmental Assessment remains valid.

[6] This option is unlikely to produce cumulative impacts greater than the initial impacts of halting the loan program. All of the adverse impacts of halting the FFP would be realized in the first few years after cessation of the program.

[7] Cultural resources are site specific. Thus adverse impacts on cultural sites and environments are addressed at the project level. Since loans are not made to a project that has not completed environmental review, no direct adverse impacts on cultural environments are projected from any of the options addressed in this EA. Indirect impacts may result from efficiencies of scale as the fisheries recover, particularly with regard to Traditional Fisheries areas, but the impacts may be either beneficial or adverse.

[8] The impact of FFP loans on health and safety depends on the reason for the project loan. Loans are used for a multitude of purposes, often refinancing existing debt but potentially including health and safety improvements to vessels and facilities. However, the improvements made with loan funds are not broken out to that level of detail,

Indirect			
Socio-Economic	Moderate-beneficial	Minimal-adverse	Moderate-adverse
Biological	Minimal-adverse	Minimal-adverse	Moderate-adverse
Physical	Minimal-adverse	Minimal-adverse	Moderate-adverse
Cultural	Minimal	Minimal	None
Health & Safety	None	None	None
Cumulative			
Socio-Economic	Moderate-beneficial	Moderate-adverse	Moderate-adverse
Biological	Moderate-adverse	Moderate-adverse	Moderate-adverse
Physical	Moderate adverse	Moderate-adverse	Moderate-adverse
Cultural	Minimal	None	None
Health & Safety	None	None	None

so the data does not exist to allow measurement of the loan impacts on health and safety. Thus, no impact is provided, though FFP impacts on health and safety are generally expected to be positive.

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ACRONYMS AND DEFINITIONS

Applicant: Applicant means the individual or entity applying for a loan. An applicant may be a person(s) or business entity but must a citizen of the United States for the purpose of documenting a vessel in the coastwise trade.

Aquaculture: Aquaculture is the farming of aquatic organisms such as fish, shellfish and even plants. The term aquaculture refers to the cultivation of both marine and freshwater species and can range from land-based to open-ocean production. Aquaculture facility means land, structures, appurtenances, laboratories, water craft built in the U.S., and any equipment used for the hatching, caring for, or growing fish, under controlled circumstances for commercial purposes, as well as the unloading, receiving, holding, processing, or distribution of such fish.

Eutrophication: Alterations to the coastal or riverine environment from waste deposited by aquaculture projects. Fish excretion and fecal wastes combine with nutrients released from the breakdown of excess feed to raise nutrient levels in the water well above normal, creating an ideal environment for algal blooms to form. To compound the problem, most feed is formulated to contain more nutrients than necessary for most applications, to make up for the quantity of feed that is never consumed by the farmed fish.

IFQ: IFQ means Individual Fishing Quota, which is a Federal permit under a limited access system to harvest a quantity of fish, expressed by a unit or units representing a percentage of the total allowable catch (TAC) of a fishery that may be received or held for exclusive use by a person.

Mariculture: Cultivation of marine organisms in their natural habitats, usually for commercial purposes.

MSY: Maximum Sustainable Yield is the most that can be harvested for human consumption while assuring future sustainability of the fishery. It is the amount of fish in a fishery that can be harvested, taking existing biomass, other, predator species, and the reproductive cycle of the fish into account.

NEPA Document: A National Environmental Policy Act document. An EA, FONSI, draft EIS (DEIS), supplement to a DEIS, final EIS (FEIS), supplement to a FEIS, or a Record of Decision (ROD). Consistent with NOAA's practice of issuing a memorandum to document the Categorical Exclusion (CE) decision for many NOAA actions, the memorandum issued documenting the use of a CE is considered a NEPA document.

Overfished: The term applied by NOAA to a fishery that has been depleted by fishing. That is, taking the observed biomass of the fishery, and dividing it by the biomass

required for maximum sustainable yield (MSY), NOAA considers a percentage below 80 to indicate that a species is overfished.

Project: A Federal action such as a grant, contract, loan, loan guarantee, vessel capacity reduction program, land acquisition, construction project, license, permit, modification, regulation, or research program that involves NOAA's review, approval, implementation, or other administrative action.

Subject to Overfishing: The term applied by NOAA to a fishery in which the observed biomass is declining to below the maximum sustainable yield.

TAC: Total Allowable Catch is the sum total of potential catch, by weight, of all of the permit-holders in a limited access fishery. NOAA/NMFS specifies, based on specific measures, what the total sustainable harvest may be in the current year. Each permit-holder is allowed to harvest a specific percentage of the TAC in a particular year, according to their permit.

1. INTRODUCTION AND PURPOSE AND NEED

1.0 Introduction

In developing this PEA, NMFS adhered to the procedural requirements of NEPA; the CEQ regulations for implementing NEPA (40 Code of Federal Regulations (CFR) 1500-1508)[9], and NOAA's procedures for implementing NEPA[10].

The FFP was originally created as the Fishing Vessel Mortgage and Loan Insurance program in 1971. It was renamed the Fishing Vessel Obligation Guarantees in 1973, and the Fisheries Obligation Guarantee Program in 1994. In 1998 it became the FFP. While originally created as a Federal Guarantee program that guaranteed loans made by the private sector, the program ultimately became a direct lending program. The FFP does not require appropriated funds because OMB has annually verified that it has a negative subsidy under the Federal Credit Reform Act (FCRA)[11] of 1991. It operates on the basis of credit authority, provided by the Congress in annual appropriations, which authorizes the program to borrow funds from the U.S. Treasury. Unused lending authority cannot be obligated after the end of each fiscal year. So the lending authority must be renewed each year. Between 1998 and 2014, the FFP has closed an average of 46 new origination loans per year, with as few as 14 and as many as 78 closings in a single year. This does not necessarily represent the number of projects initiated, as many of these loans were made to refinance existing debt. For example, in 2013, one traditional loan was closed for a new project, while 12 loans were used to refinance existing (NMFS and private sector) debt. From 1997 through 2014, $1.275 billion has been allocated to the FFP.

1.1 Purpose and Need

NMFS is proposing to administer this on-going Federally funded direct lending program, which provides financing or refinancing to qualified applicants for the construction, reconstruction, reconditioning and in some cases the purchase of fishing vessels, shoreside processing, aquaculture and mariculture facilities and IFQ[12]. Under this program, loans may be awarded to fishers, fish processors, charter fishing operators and others, as authorized under Title XI of the Merchant Marine Act of 1936, as amended (codified at 46 USC 53701 et seq.); Section 303(a) of the Sustainable Fisheries Act amendments to the Magnuson-Stevens Act; and, from time to time FFP-specific legislation.

Purpose: The purpose of the Proposed Action is to continue to provide the commercial fishing community with economic support in a manner consistent with the Agency's mission to

[9] See Reference (CEQ 1969).
[10] NOAA Administrative Order 216-6, Environmental Review Procedures for Implementing the National Environmental Policy Act.
[11] Negative subsidy means that the FFP returns more funds to the Treasury than the loans cost overall, taking into account all defaults, workouts foreclosures and recoveries. Thus, the loan program is self-sustaining under the FCRA.
[12] IFQ is a quota representing a pro-rata share of the fish that may be harvested from a controlled fishery, such as Alaskan Crab or Halibut/Sablefish. Only a holder of IFQ in that fishery may harvest and sell that species in the U.S.

promote the long-term sustainability of fisheries resources, while generating social and economic opportunities and benefits from their use.

Need: In order to achieve this purpose, NMFS needs to continue to administer this financing program while supporting the development and implementation of conservation and management measures to prevent overfishing, rebuilding depleted stocks, and promoting the long-term health and sustainability of fisheries as envisioned in the Sustainable Fisheries Amendments of the Magnuson Stevens Act (P.L. 94-265 as amended by P.L. 109-249). It is also incumbent on NMFS FSD to administer the FFP by providing financing for designated fisheries-related activities, in compliance with congressionally-renewed loan authority.

1.2 Scope and Organization of this Programmatic EA

In considering the proposed action, the Secretary, through NOAA and NMFS, is responsible for complying with a number of Federal regulations and NEPA. The purpose of the PEA is to provide an environmental analysis of the physical, biological, and socio-economic impacts of the NMFS proposal to continue the FFP.

Under NEPA, as implemented by the regulations published by the CEQ, an agency prepares an EA to determine if any significant direct, indirect, or cumulative environmental impacts are likely to be caused by a proposed action. If the EA does not identify significant impacts, a Finding of No Significant Impacts (FONSI) is prepared to document the decision maker's determination of the facts. If at any time during preparation of the EA it appears that significant impacts would result from the proposed action, the agency halts development of the EA and begins preparation of an Environmental Impact Statement (EIS) to more thoroughly evaluate the potential impacts and ways to reduce or mitigate those impacts.

This PEA provides a programmatic-level assessment of the potential impacts on the human environment associated with NOAA's FFP. This approach takes a broad look at program-level issues and alternatives (as compared with an approach that focuses on a specific project or action). A programmatic approach is discussed in the CEQ regulations (40 C.F.R. 1500.4(i)). In the future, potential project-specific actions under the FFP may require additional NEPA analyses that may "tier off" a PEA, so long as the action falls generally within the scope of issues and alternatives assessed in a final NEPA document. The potential use of tiering for future FFP activities is discussed further below.

This PEA assesses the potential direct, indirect, and cumulative impacts – near-term and long-term - of the alternatives on the physical, biological, and socioeconomic resources potentially affected by the FFP program. The sections that follow describe the proposed FFP activities and alternatives considered (Section 2), the affected environment as it currently exists (Section 3), the probable consequences of the alternatives on the affected environment (Section 4), and the potential cumulative impacts of the alternatives (Section 5).

Use of "Tiering" for Project-Specific Actions

No project-specific actions are evaluated in this document. If this PEA (a final PEA) results in a

FONSI, it is likely that the majority of specific FFP actions will not – individually or cumulatively – result in any significant impacts. NMFS, however, will examine each specific FFP action on a case-by-case basis to make individual determinations of whether or not the action falls within the scope of a final PEA. If NMFS determines that a specific FFP action falls within the scope of a PEA, the action will be internally documented as an action covered by the analysis in a PEA and no further NEPA analysis will be required. If NMFS determines that a specific FFP action does not fall within the scope of a PEA, an additional NEPA analysis will be "tiered off" from a PEA.

For example, loans made under the FFP, in similar type and circumstances to those discussed in this PEA, are expected to have the same minimal range of environmental impacts and thus will likely not require further NEPA analyses. Similarly, the refinancing of existing loans is also unlikely to result in any new direct or indirect environmental impacts. Tiering would occur, for example, if Congress increased the lending authority for the FFP significantly in one year, or over several years, thus increasing the potential for environmental impacts. In the same context, provided a loan does not significantly change the nature and character of an already-permitted aquaculture project, such project NEPA reviews would tier off of this programmatic EA.

Projects that are supported with FFP loans may have their own direct and indirect environmental impacts if they are located in sensitive or protected areas, which are expected to be identified by project and location-specific environmental review under NEPA or other statutes. Such environmental analyses would be reviewed in the context of the results of this PEA. If the EA alone does not cover the proposed loan project, we will examine any relevant NEPA documents published by other agencies to determine their sufficiency with respect to NOAA environmental policies. Any noted deficiencies would be addressed in additional NEPA review.

It is possible that the FFP program may change over time, due to changes in law, or that the NOAA environmental guidance may be amended to reflect changes in the fisheries, habitat, climate impacts, or other circumstances. If any of these changes occur, NMFS will develop new or supplemental EAs. Furthermore, NMFS anticipates that the FFP will be reevaluated in five years to take into account changes that may have taken place in the fisheries, the environment in the U.S. Exclusive Economic Zone and shoreside areas, or to environmental regulations.

Actions Outside the Scope of this PEA

The scope of this PEA is limited to a programmatic analysis of the direct, indirect, and cumulative impacts of the FFP and its funding level on the physical, biological, and socioeconomic environment. This PEA does not repeat the analysis of direct and indirect impacts of unrelated actions that are undertaken by fisheries management councils, applicants for FFP loans, or State level regulatory entities. Actions such as establishing a limited access permit program in a fishery, or the construction or modification of shoreside facilities, are different in nature from the provision and servicing of loans and therefore subject to independent NEPA review.

The following definitions will be used to characterize the nature of the various impacts evaluated with this EA:

- *Short-term or long-term impacts.* These characteristics are determined on a case-by-case basis and do not refer to any rigid time period. In general, short-term impacts are those that would occur only with respect to a particular activity or for a finite period. Long-term impacts are those that are more likely to be persistent and chronic.

- *Direct or indirect impacts.* A direct impact is caused by a proposed action and occurs contemporaneously at or near the location of the action. An indirect impact is caused by a proposed action and might occur later in time or be farther removed in distance but still be a reasonably foreseeable outcome of the action. For example, a direct impact of erosion on a stream might include sediment-laden waters in the vicinity of the action, whereas an indirect impact of the same erosion might lead to lack of spawning and result in lowered reproduction rates of indigenous fish downstream.

- *Minor, moderate, or major impacts.* These relative terms are used to characterize the magnitude of an impact. Minor impacts are generally those that might be perceptible but, in their context, are not amenable to measurement because of their relatively minor character. Moderate impacts are those that are more perceptible and, typically, more amenable to quantification or measurement. Major impacts are those that, in their context and due to their intensity (severity), have the potential to meet the thresholds for significance set forth in CEQ regulations (40 CFR 1508.27) and, thus, warrant heightened attention and examination for potential means for mitigation to fulfill the requirements of NEPA.

- *Adverse or beneficial impacts.* An adverse impact is one having adverse, unfavorable, or undesirable outcomes on the man-made or natural environment. A beneficial impact is one having positive outcomes on the man-made or natural environment. A single act might result in adverse impacts on one resource and beneficial impacts on another resource.

- *Cumulative impacts.* CEQ regulations implementing NEPA define cumulative impacts as the "impacts on the environment which result from the incremental impact of the action when added to other past, present, and reasonably foreseeable future actions regardless of what agency (Federal or non-Federal) or person undertakes such other actions." (40 CFR 1508.7) Cumulative impacts can result from individually minor but collectively significant actions taking place over a period of time within a geographic area.

1.3 Regulatory Compliance

This PEA is prepared to satisfy the requirements of NEPA (PL 91-190, 42 U.S.C. 4321 *et seq*.); implementing regulations adopted by the CEQ (40 CFR 1500-1508); and NOAA Administrative Order (NAO) 216-6. The intent of NEPA is to protect, restore, and enhance the human environment through well-informed Federal decisions. A variety of laws, regulations, and

Executive Orders (EO) apply to actions undertaken by Federal agencies and form the basis of the analysis prepared in this PEA. These authorities include but are not limited to:

- National Historic Preservation Act, 16 U.S.C. § 470 *et seq*.
- Endangered Species Act, 16 U.S.C. § 1531 *et seq*.
- Clean Water Act, 33 U.S.C. §§ 1251 *et seq*.
- Clean Air Act, 42 U.S.C. § 7401 *et seq*.
- EO 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low Income Populations
- EO 11988, Floodplain Management
- EO 11990, Protection of Wetlands

2. PROPOSED ACTION AND ALTERNATIVES

To warrant detailed evaluation by NMFS, an alternative must be reasonable[13] and meet the purpose and need of the action being reviewed (see Section 1.1). Screening criteria are used to determine whether an alternative is reasonable. The following discussion identifies the screening criteria used in this EA to evaluate whether an alternative is reasonable; evaluates various alternatives against the screening criteria (including the proposed measures) and identifies those alternatives found to be reasonable; identifies those alternatives found not to be reasonable and the basis for this finding. Alternatives considered but found not to be reasonable are not evaluated in detail in this EA. Section 2.4 describes other alternatives that were considered but rejected because they do not meet the purpose and need of the proposed action.

Screening Criteria: To be considered "reasonable" for purposes of this EA, an alternative must meet the following criteria, the action:

1. Must not violate any Federal statute or regulation.
2. Must support the sustainable fisheries goals of the Magnuson-Stevens Reauthorization Act of 2006.
3. Must not interfere with or mandate borrowers' private business decisions.
4. Must not significantly raise the personnel and other administrative costs of the agency.

NMFS evaluated each potential alternative against these criteria. Based on this evaluation, two alternatives have been identified as reasonable and, along with the No Action Alternative, are being carried forward for more detailed evaluation in this EA.

2.1 Alternative 1 – No Action/Status Quo – Continue Existing Fisheries Finance Program

General Program Requirements

In order to be eligible for this program:

1. The borrower must be a U.S. citizen, or an entity who is a citizen for the purpose of documenting a vessel in the coastwise trade under 46 U.S.C. § 50501;
2. The borrower must have a good credit and earnings record, net worth, and liquidity in support of the project;
3. The project must be fully secured with borrower's assets, which may include personal guarantees and additional collateral not directly associated with the project;
4. For a shoreside, aquaculture, or mariculture facility, the project must have completed, or have been included in, a project-level environmental report prior to loan approval; and

[13] "Section 1502.14 [of the CEQ regulations] requires the EA/EIS to examine all reasonable alternatives to the proposal. In determining the scope of alternatives to be considered, the emphasis is on what is "reasonable" rather than on whether the proponent or applicant likes or is itself capable of carrying out a particular alternative. Reasonable alternatives include those that are *practical or feasible from the technical and economic standpoint and using common sense*, rather than simply desirable from the standpoint of the applicant." (CEQ's 40 Most Asked NEPA Questions, available at: http://ceq.hss.doe.gov/nepa/regs/40/40p3.htm (last visited Aug. 21, 2013) (emphasis added).

5. The borrower must generally have the ability, experience, resources, character, reputation, and other qualifications necessary for successfully operating, utilizing, or carrying out the project.

Loan Terms

The FFP makes long-term, fixed-rate loans with interest rates of two percent over the U.S. Department of the Treasury's cost of funds for a comparable term. Loan maturities may be up to 25 years, (30 years for CDQ loans) but may not exceed the economic useful life of a project. Loans have no prepayment penalties. All loans are secured by a promissory note, capital assets, and security agreement.

Applicants must pay a 0.5% fee with the application for a new loan. Half of this is the filing fee, which is nonrefundable. Half is the commitment fee, which is refundable only if the FFP denies the application or the applicant withdraws the application prior to written approval. The fee for an application to refinance any loan is 0.25%.

The process followed by NMFS and a potential borrower is as follows:

The potential borrower identifies a need for financing, and approaches the FFP program. An application is completed with the assistance of FFP staff, usually at one of three regional offices (Gloucester, MA; St. Petersburg, FL; Seattle, WA). Along with the application, the potential borrower submits financial information, including tax returns, fishing licenses and permits, and a business plan outlining how the loan will be repaid. The regional NMFS staff reviews the application, which may include a site visit for more complex projects. NMFS staff also conducts a background and credit check on the borrower(s), Dun & Bradstreet Reports, and U.S. Treasury 'Do Not Pay'. After a thorough review of the application, the staff makes a recommendation for or against approval. This recommendation is evaluated by NMFS headquarters staff, who approve or deny the requested loan.

An approved loan can be funded within a matter of days if the borrower meets all closing conditions. These conditions may include completion of any required environmental reviews, filing a first preferred security interest on a vessel, the pledge of additional collateral, or execution of personal guarantees in support of the loan. However, once approved, the borrower has several years to actually proceed with the financing and request loan closing.[14] Once funded (closed), a loan enters the servicing stage, when NMFS staff monitor the timely receipt of payments and required financial reports, default conditions, conditions in the borrower's fishery, and similar information related to the ongoing fiscal health of the borrower.

Until now, loans have generally been reviewed on financial grounds for approval on a "first come, first served" basis. However, the FFP is presently supporting a policy that prioritizes

[14] The period of availability, once the loan is obligated, is five years from the obligation year. Some IFQ loans, for example, are approved well in advance of a borrower's opportunity to buy quota share. In quota share fisheries, there may not be regular opportunities to acquire more shares. Once shares become available, a fisherman must be able to demonstrate immediately the availability of funds in order to make a successful offer to purchase the shares.

aquaculture projects.[15] That is, NOAA has established a policy to encourage the development of aquaculture as a way to restore fish stocks and provide additional sources of supply for the Nation's sea-based protein needs. The policy includes supporting research, as well as identifying potential sources of financial assistance.

In support of this policy, the FFP gives aquaculture projects that meet the financial standards first consideration for loan authority. If they prove creditworthy, and meet other FFP requirements, they remain "first in line" for loan approval. In years when demand for loans in high, aquaculture loans will be funded before vessel and other shoreside loans.

The loan application, approval, and servicing activities are administrative in nature, and result in no direct environmental impacts. There may be some minor indirect impacts from applicant or NMFS staff travel for loan application and oversight purposes.

As of December 2014, The FFP has closed 323 traditional loans. Two loans, 0.0071% of the portfolio, have defaulted. The FFP has closed 477 IFQ loans, of which one is in default. Table 2-1 presents the total principal balances of currently active loans by type for area of the country.

Table 2-1

Active Closings by Region - through 2013		
Type	**Approved Amt.**	**Balance**
Alaska	$ 181,305,443	$ 150,690,413
Boston	$ 42,163,953	$ 80,719,346
California	$ 23,475,222	$ 5,663,321
US Gulf	$ 112,667,057	$ 72,809,740
Seattle	$ 230,708,698	$ 177,646,248
Total	$ 590,320,373	$ 487,529,068

IFQ loans currently represent just over 11 percent of the FFP approved loans by value, and the rest of the portfolio is roughly equally divided (by value) between vessel and shoreside facilities loans. Table 2-2 presents the total closing amounts of loans by year, and their principal balances as of December 2014.

[15] "The mission of the Office of Aquaculture is to foster marine aquaculture that creates employment and business opportunities in coastal communities; provides safe, sustainable seafood; and supports healthy ocean populations and ecosystems." http://www.nmfs.noaa.gov/aquaculture/. The policy's goals are to expand the opportunities for aquaculture so that this aspect of fisheries management will contribute to the long-term sustainability of U.S. fisheries. NMFS sponsors research in aquaculture, providing technical assistance to aquaculture projects, and disseminating information to the public about aquaculture's contribution to the U.S. economy and sustainable fisheries.

Table 2-2

Closing Amounts and Principal Balances by Loan Type by Year				
	Traditional Loans		Quota Share Loans	
	Closing amt.	Principal Bal.	Closing amt.	Principal Bal.
1997	$ 550,000.00	$ 57,810.34	$ -	$ -
1998	$ -	$ -	$ 560,376.40	$ 345,875.41
1999	$ 2,017,373.20	$ 483,156.09	$ 1,492,483.71	$ 923,876.00
2000	$ 473,934.58	$ 153,687.72	$ 1,061,910.76	$ 596,569.56
2001	$ 2,300,000.00	$ 1,020,647.15	$ 608,534.85	$ 410,386.84
2002	$ 686,681.00	$ 361,716.56	$ 1,435,719.75	$ 1,040,407.56
2003	$ 13,230,000.00	$ 7,570,972.99	$ 1,360,612.40	$ 916,917.16
2004	$ 21,990,000.00	$ 15,027,888.71	$ 1,876,008.41	$ 1,261,285.45
2005	$ 46,111,676.49	$ 39,884,940.41	$ 2,189,239.97	$ 1,627,084.78
2006	$ 30,138,162.16	$ 25,542,299.97	$ 2,281,783.02	$ 1,953,689.17
2007	$ 14,233,130.77	$ 12,021,733.57	$ 1,877,732.02	$ 1,634,707.49
2008	$ 22,291,100.00	$ 18,283,978.81	$ 3,109,485.95	$ 2,555,669.42
2009	$ 24,314,256.07	$ 21,526,681.16	$ 2,972,985.01	$ 2,419,494.16
2010	$ 53,800,636.00	$ 47,840,049.56	$ 5,092,720.20	$ 4,431,778.34
2011	$ 45,065,900.00	$ 41,498,634.79	$ 2,901,622.23	$ 2,668,206.43
2012	$ 15,707,990.56	$ 14,892,141.41	$ 4,476,090.01	$ 4,304,879.90
2013	$ 29,082,366.37	$ 28,974,569.31	$ 456,000.00	$ 456,000.00
2014	$ 66,655,000.00	$ 66,386,089.00	$ 292,194.00	$ 288,041.00
Total	$388,648,207.20	$341,526,997.55	$34,045,498.69	$27,834,868.67

Shoreside Facilities: Aquaculture, mariculture, and fisheries facilities projects are considered shoreside facilities. They may involve the raising of fish or marine vegetables, fish processing, value-added processing (frozen fish cakes), and related activities. They are developed on land or in the waters near land, and may have direct adverse impacts on habitat, air quality, water quality, cultural or historic sites or resources (as in traditional native fishing areas), or infrastructure and public resources. Shoreside facilities may also have indirect adverse impacts through increased use of local roads and highways, water treatment, solid waste, erosion, and other environmental impacts. Because project-specific information for these types of loans is only available at the time of application, loans to finance changes to shoreside facilities are subject to a separate environmental review prior to receiving loan funds.

Vessel-related: Because the FFP does not finance the construction of new vessels, but rather only the acquisition or refinancing of existing vessels, the loans for vessels have been categorically excluded under NEPA because financing the acquisition of an existing vessel would not result in any direct or cumulative environmental impacts. FFP financing to reconstruct an existing fishing vessel may not be used to increase the carrying capacity of the vessel or the horsepower

of its engines.[16] Consequently, loans for upgrading a fishing vessel are also categorically excluded under NEPA.[17] These vessels, their owners, crew, or other parties must already possess permits, quota, or some other harvesting allocation(s) to operate. The environmental impacts of the fishing operations were analyzed as part of the fisheries management plans for those fisheries in which the vessels participate. Those effects are not altered by the source (private sector or Federal loans) of financing.

IFQ-related: IFQ loans facilitate the transfer of quota share between individuals within an existing fishery. Loans to finance the acquisition of IFQs are usually categorically excluded under NEPA because the acquisition or exchange of IFQ does not result in any new direct or cumulative environmental impacts. The environmental impacts of the actual quota share programs are analyzed within the Fisheries Management Plan at the time the program is created. IFQ loans do not result in the creation or elimination of any IFQ, do not change the method of fishing, and do not result directly in any increase or decrease in fishing capacity. Although establishing a quota share system may result in a decrease over time in the number of fishers or fishing vessels within a fishery, this may be offset by an increase in fishing effort by the vessels that remain. The effective (successful) operation of a quota share system may result in long-term recovery of the fishery, allowing the expansion of quota allocations in future years. This would be a cumulative impact of the quota share system, not the FFP. The availability of the FFP to finance the acquisition and exchange of the new quota share could result in some indirect adverse impacts to the IFQ fisheries from added fishing effort due to greater ease of entry for new fishers able to finance IFQ.

2.2 Alternative 2 – Modified Program

Under this alternative, the FFP would seek to alter the mix of loans that would be approved. NMFS examined the possibility of allocating lending commitments to only those projects with the least environmental impact. NMFS could not use the IFQ funding for non-IFQ loans, (and IFQ loans have no discernible environmental impacts), but it could change the mix of projects to be financed within the $59 million in traditional lending authority that is provided annually ($100 million provided in 2014).

There is currently no difference in the general loan qualification standards among types of loans. Consequently, to alter the mix of loans in favor of one type of project over another would require adding an environmental review factor to loan approvals, such that loans with the least adverse environmental impacts would be rated more favorably.

One potential source of uncertainty with this option is that NMFS may not be able to identify a sufficient number of projects with the least adverse environmental impacts each year. The FFP would face the choice of not using all of its lending authority[18], or lending to projects with

[16] Increasing horsepower could allow the vessel to make more fishing trips over time, thus potentially increasing fishing capacity.

[17] It may be that an equipment upgrade, such as a quick-chill freezer unit, would increase a vessel's ability to process fish and remain at sea longer. This would have some cumulative impacts on the affected fishery.

[18] NMFS presumes that Congress' authorization for the loan program indicates Congress' intention that the full amount will be obligated (used for loans) annually.

greater potential environmental impacts. Another uncertainty pertains to NMFS' review of completed NEPA EAs and EISs. These project level documents indicate either that adverse environmental impacts have been mitigated, or that the project does not generate significant environmental impacts. To then rank projects on their environmental impacts would expand NMFS' administrative oversight to include the results of NOAA's environmental review processes and conclusions, after the fact.

This approach would delay loans to qualified applicants.

2.3 Alternative 3 – Halt the FFP Program

Under this alternative, NMFS would not fund any new loans. The existing portfolio of loans would be monitored and serviced, but no additional loans would be made, including refinancing, starting in fiscal year 2015. Loan servicing on the existing portfolio of about $380 million might continue for 20 years or more. This activity would include receipt of operating statements from borrowers, monitoring loan performance, managing defaults if necessary, and initiating foreclosures for loans that failed. NMFS would no longer have the option to refinance troubled loans as it managed work-outs prior to default.

2.4 Alternatives Considered and Rejected

The following alternatives were considered and rejected because they did not meet the stated purpose and need of the program. (See Section 1.1).

- Financing Start-Up Projects:[19] NMFS considered the possibility of financing start-up projects, with a view to reducing environmental impacts by supporting only environmentally beneficial projects. NMFS would have to review and approve environmental assessments (be the lead or cooperating agency for NEPA reviews) as part of the project development process, rather than accepting an existing FONSI or CE. This would significantly increase NMFS' level of administrative oversight of projects and their related environmental documents. It would also establish an unacceptable administrative conflict of interest, as "approval" of the environmental review would likely be viewed by staff or applicants as a presumption of subsequent lending approval. Each loan application to date has been approved solely on the basis of financial and operational viability, after satisfaction of project-level environmental reviews.

  While it would support the Sustainable Fisheries provisions of the Magnuson-Stevens Act, this alternative was rejected because it would have significantly raised NMFS' cost of managing the program, required a separate risk management strategy that might have resulted in a positive subsidy rate for loans, and unduly interfered with the applicants' business decisions (failing to keep an "arm's length" from the borrower). It might even expose the program to lender liability risks. The FFP currently only approves applications that are financially viable and deemed to have no or insignificant adverse environmental effects.

[19] Start-up projects do not have prior history or an existing NEPA review, making them riskier loan prospects.

- Eliminating the FFP: NMFS also considered eliminating the FFP, to remove the financing program's influence on the fisheries and the fishing industry. NMFS would sell its portfolio of loans to the private sector, and would not seek reauthorization of the FFP.

  This alternative was rejected because it would fail to support the Sustainable Fisheries provisions of the Magnuson Stevens Act by ceasing to provide financing to fishers and fishing activities, and unduly increase the costs of the fishing industry. Furthermore, eliminating a source of financing for fishing and fisheries-related projects is not expected to affect how NMFS manages fisheries, or how fishers continue to fish. There may be some departure of fishers from the fishery due to their inability to secure private financing. However, any reduced environmental impact from fishers leaving the fisheries is likely to be entirely offset by increased fishing activity by the fishers that remain. Furthermore, removal of the FFP from the fisheries may result in projects being privately financed without any project-level NEPA review, which could result in significant adverse impacts to the environment.

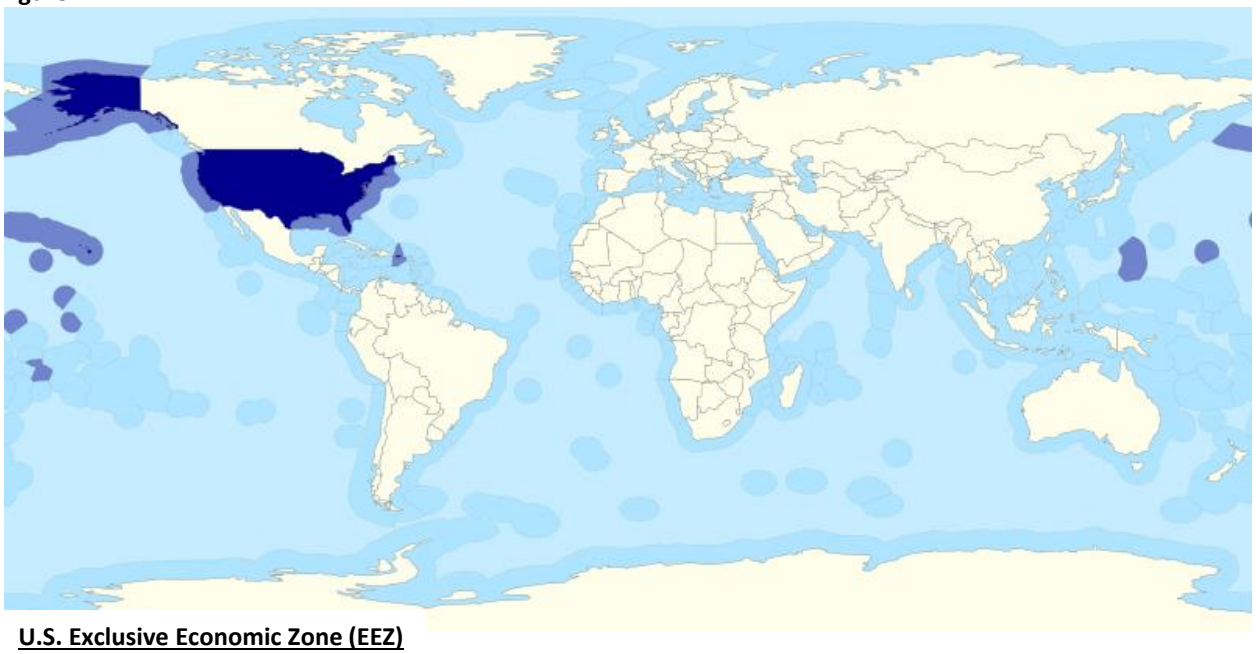
  Thus, this option is unlikely to result in any significant beneficial physical or biological impacts. It is expected to result in some disruption of existing fisheries activities as FFP financing is closed out and replaced to a limited extent in the private sector, so it may have negative social and economic as well as environmental impact.

3. AFFECTED ENVIRONMENT

The affected physical environment comprises the coastal and offshore fisheries area of the United States within the Exclusive Economic Zone (EEZ; ~4.4 million square miles), including Alaska, the Hawaiian Islands, the Pacific Trust Territories, and the U.S. Virgin Islands (see the map below). These areas contain a wide variety of habitat areas, shallow and deep water, sandy, rocky, and mixed surfaces including coral reefs, and many species of marine mammals, fish, shellfish, invertebrates, plants, and other marine organisms. The physical environment also includes coastal areas, inland areas (such as for aquaculture), watersheds, estuaries, and other areas that may be affected by shoreside projects. Individual projects may be collocated with areas of a cultural, historical, or biological sensitivity. Shoreside projects, particularly if they require substantial construction or water installations, may affect surface and subsurface resources, including the air, water, and sea floor.

The area described here is the totality of the fisheries area of the United States. The FFP influences a very small portion of this area. For example, loans made over the period of one year will support firms with as many as 69,000 employees. By comparison, the entire fisheries employment in 2011 (see Table 3-1) was 1.233 million. The total FFP lending authority in 2014 is $124 million for traditional and IFQ loans. Total fisheries' sales in 2011 were $129 billion. On these scales, the FFP affects less than one-half of one percent of fisheries' employment and less than one-one-hundredth percent of sales.

Figure 1



U.S. Exclusive Economic Zone (EEZ)

The affected economic environment is every U.S. citizen who qualifies for a FFP loan. To qualify for a FFP loan, an applicant must be a fisher or a fish-related business that has been in operation for three years or more.

In 2012, this industry supported nearly 1.3 million full- and part-time jobs and generated $140 billion in sales impacts, $38 billion in income impacts, and $59 billion in value added impacts.[20]

Table 3-1

Commercial Economic Impacts Trends for the United States (Thousands)					
	2008	**2009**	**2010**	**2011**	**2012**
Jobs	1,144,353	1,029,542	1,196,683	1,233,204	1,270,141
Income	34,544,909	31,556,643	36,269,724	36,568,695	38,721,983
Sales	126,175,684	116,224,548	133,135,986	129,386,335	140,660,993
Value Added	52,726,594	48,282,319	55,434,189	55,321,482	59,017,417
Total Revenue	4,399,402	3,894,864	4,511,171	5,338,063	5,099,456

The fishing fleet included more than 78,000 commercial fishing vessels in 2008. Commercial fishermen in the U.S. harvested 9.9 billion pounds of finfish and shellfish in 2012, earning $5.1 billion for their catch. Pacific salmon ($618 million) followed by sea scallop ($585 million), shrimp ($536 million), and American lobster ($423 million) contributed most to total revenue in the U.S. In terms of pounds landed, walleye pollock (2.8 billion pounds), menhaden (1.9 billion), and Pacific salmon (780 million) comprised over half of total pounds landed in 2011. The largest ports bringing in this revenue by value were New Bedford, MA; Dutch Harbor, AK; Kodiak,

[20] Source: Fisheries Economics of the United States; U.S. DOC, NOAA. March 2014

AK, Naknek-King Salmon, AK; Cordova, AK; Cape May, NJ; Hampton Roads, VA; Honolulu, HI, Seward, AK; and Sitka, AK.[21]

4. ENVIRONMENTAL CONSEQUENCES

4.1 Introduction

This section provides the scientific and analytical basis for comparing FFP alternatives described in Section 2.0. The potential direct, indirect, and cumulative effects on the physical, biological, ecological, socioeconomic, and administrative environments for each loan program alternative are described below. This section also describes: 1) any unavoidable adverse effects resulting from the proposed action, 2) the relationship between short-term uses of man's environment and long-term productivity, and 3) any irreversible or irretrievable commitments of resources resulting from implementation of the proposed action.

The CEQ regulations (40 CFR 1508.8) define direct effects as those "which are caused by the action and occur at the same time and place." Indirect effects are defined as those "which are caused by the action and are later in time or farther removed in distance, but are still reasonably foreseeable." Cumulative effects are defined as "impacts on the environment that result from the incremental impact of the action when added to other past, present, and reasonably foreseeable future actions regardless of what agency or person undertakes such actions."

The proposed action in this PEA, to continue funding of the existing FFP, is purely financial in nature. Project-specific actions under the FFP for financing aquaculture and shoreside facilities will be analyzed under NEPA (potentially "tiering off" this PEA) prior to actual release of any funds. NMFS does not believe that the proposed action for this PEA will have any direct effect on historic or cultural sites, coastal wetlands and similar environments, geologic resources, or health and safety;[22] these issues are not considered further in this programmatic-level assessment.

Indirect effects would result from projects supported through new FFP loans – particularly new projects or project expansions – which are addressed in Sections 4.2 through 4.4. While the program has been guaranteeing and making loans for over 40 years, it still affects a tiny fraction of the industry and its environment. Its indirect impacts are unmeasurable in the larger context of the fisheries and fisheries management plans.

There is some possibility that the overall FFP loan portfolio could result in cumulative impacts, through small increments of indirect environmental effects over time. Such impacts might result from increased fishing or fish processing activity through economies of scale, increased trucking or shipping activity by loan recipients, or increased municipal support investments made necessary by loan recipients' growing economic activity. These effects would be monitored via the statistics currently reported annually by NOAA regarding our Nation's fisheries. Municipal support investments (such as road improvements) are subject to their own programmatic and

[21] Source: Fisheries of the United States 2010; NMFS; August 2011.

[22] Vessel and shoreside facility capital improvements may be undertaken with the purpose of improving the health or safety of the operation, but financing such improvements would not affect the project purpose, and would only have positive impacts on the human environment.

project level NEPA review,[23] but incidental travel due to increased economic activity would also be a possible indirect impact of the FFP. These issues are discussed more fully below. NMFS does not project any indirect adverse impacts from refinancing activity, since refinancing does not result in any physical or operational changes to an existing project.

The FFP may have indirect impacts on fisheries resources by providing the financing to advance specific projects. However, the extent of this impact will depend on the relative availability of non-FFP (i.e., private sector) financing as well. The FFP is a very small, but integral part of a much larger capital market. It may be that private sector financing for fisheries projects is available because the FFP is also in the market. The general availability of non-FFP financing depends upon private sector investment decisions as well as the financial qualifications of potential borrowers. The measurable impacts of the FFP will depend on the proportion of environmental impacts that result from FFP financed projects in the context of the overall fisheries and fishing communities. Until now, these impacts have been unmeasurably small.

Unavoidable Adverse Effects: No unavoidable adverse effects are projected for the FFP because all new shoreside and aquaculture projects are subject to environmental review prior to any loan approval. If the environmental review identifies any unavoidable adverse impacts, this will affect the ranking of the project for loan qualification, as the cost to mitigate the adverse effects may raise the financial risk of the loan unduly. The approval of a loan for a borrower is not an assurance of additional loans to that borrower in the future. If circumstances change after a loan is approved, such as identification of an unexpected environmental impact, or the re-designation of a fishery (critical to the borrower) as overfished, the loan will not be closed.

Short-term Uses: This PEA seeks to evaluate the direct, indirect, and cumulative impacts to the environment from the fishers' use of the FFP. Fishing is inherently a short-term use in that the primary resource being affected, that is, fish, have a limited life span. If the fish is not harvested, it ultimately becomes food for other fish or dies and returns to the environment. The resource as a whole renews itself continually, subject in part to the cumulative impacts of fishing activity. Thus, the short-term use of the resource may have longer-term impacts on productivity. FFP loans have no direct impacts on short-term uses of the resource because the funds borrowed have no effect on fishing practice or intensity. However, in concert with other actions such as fisheries management plans, many loans over time may have cumulative impacts on the fisheries and their long-term productivity, both adverse and beneficial, as the presence of the FFP increases ease of entry and departure from the fisheries. However, as stated previously, the FFP affects a tiny fraction of the fisheries, so any short-term use impacts would be unmeasurably small.

Irreversible Commitments: NMFS does not project any irreversible or irretrievable commitments of resources from the implementation of the FFP. The authority for the program is renewed annually. Each loan is reviewed and approved individually. No single loan approval is an assurance of a subsequent loan approval, either as to project type or borrower. In fact, approval of a loan is no assurance that the loan will actually be funded, if conditions affecting the borrower or the fishery are substantially altered after loan approval but prior to closing.

[23] Federally funded transportation projects are required to conform to NEPA requirements. See FHWA/FTA Final Rule on statewide and metropolitan transportation planning and programming, 2005. http://www.gpo.gov/fdsys/pkg/FR-2007-02-14/pdf/07-493.pdf

This might occur, for example, if a new NOAA assessment of a fishery were published after a vessel loan had been approved. NMFS would reevaluate the loan in light of this new information. Even after a loan has closed, if NMFS believes that the loan's risk level is increasing – e.g., due to the worsening financial condition of the borrower – NMFS has the authority to seek return of the loan funds through foreclosure or other means.

4.2 Alternative 1 – No Action/Status Quo – Continue Existing Fisheries Finance Program

Biological Impacts: The proposed alternative provides loans to fishers and fishing related projects, using $100 million in lending authority for traditional loans and an additional $24 million for IFQ, as well as commitment of the unexpended loan authority for CDQ groups. The borrowers are self-selected, in that they decide whether to apply for a loan, and participation in the FFP is voluntary.[24] The direct biological impacts of this activity are not measurable. Applying for, reviewing, and closing a loan are all administrative actions. If the applicant seeks to refinance the depreciated actual cost of a project, the project is completed and the cost has already been incurred. The environmental impacts have already been assessed, both through the Fisheries Management Plan and a project-specific environmental review. The loan does not change the project or the environment in which it operates. The same logic holds for initial financing to acquire a vessel, facility, or IFQ. The asset already exists - it is either categorically excluded, or its project-specific environmental impacts have already been assessed. The loan itself will not change the operating environment of the project. Loans made for construction or reconstruction would have biological impacts, as described below.

Shoreside Facilities: In the case where a loan is being sought to construct, expand or in some cases recondition a shoreside facility, the applicant will be required to complete an environmental review prior to receiving any loan funds. The nature of potential adverse impacts include disturbance of the ground through construction, water quality impacts from runoff (buildings, parking lots, etc.), impacts to historic or cultural resources, and impacts on local infrastructure such as roads, water treatment, waste disposal, and electric supply. The loan itself will not change the operating environment of the project. The availability of the loan may assure completion of the project, or may accelerate completion of the project due to enhanced cash flow, so that environmental impacts occur sooner than they might otherwise. However, the total direct, short-term and long-term impacts of the project on the ecology are not altered by the FFP loan, so they can be addressed in a project-specific environmental assessment.

Aquaculture: In the context of the FFP, aquaculture projects are considered a type of shoreside facility. Due to its potential location both on and off-shore, an aquaculture project may have a broader range of environmental impacts than a strictly land-based facility. As with other loans, a project-level environmental review is required prior to an aquaculture project being financed under the FFP. Aquaculture projects are not eligible for FFP loans unless they have all required permits and licenses. Aquaculture projects are reviewed as part of a U.S. Army Corps of Engineers environmental review and permitting process, required as part of the permitting and licensing process. Thus, if the proposed loan will not change the nature and character of the already-permitted aquaculture project, not further NEPA review is required.

[24] CDQ groups are designated by law and Alaska statute, but each CDQ group chooses whether and how to apply.

The range of impacts that are addressed include aquaculture effluents and their impacts on inland and coastal waters; eutrophication; use of other fish as feedstocks; genetic conservation and aquatic biodiversity; introduction of alien species; habitat destruction; use of pharmaceuticals and pesticides; and socio-economic effects. As with other projects, the loans made to aquaculture will not change the operating environment. However, many aquaculture impacts are "mitigated" by natural circumstances such as river flow or tidal currents.[25] As FFP loans make more projects feasible, the cumulative adverse impacts of aquaculture projects become of greater concern, due to effects of scale. If sufficient offshore pens are located in close proximity, for example, their effluents may interfere in the aggregate with the surrounding habitat, regardless of the direction or frequency of tidal currents. A single unintended release of farmed fish into the wild may have negligible impacts on the wild population (these fish are often raised to be sterile), but multiple releases from multiple sources could have a greater cumulative adverse impact by competing with wild species for limited food sources, or by interbreeding.[26] These potential adverse impacts would be examined in subsequent project-specific environmental analyses.

Aquaculture projects use a variety of feed stocks in production. When other fish species are used, these tend to be species not used for human consumption. However, they are likely to be forage fish for other wild species. Existing aquaculture projects may not impose a significant burden on forage fish today, but they add to the demand for the fish stock. "Almost 31,000,000 tonnes (MT) of the world's total wild fisheries production is used for animal feed each year, 15% of which is used in fish feed."[27] Fish farms also depend upon corn and soy-based feeds, thus competing for these grains with food and non-food uses such as ethanol production. While individual aquaculture projects have minimal adverse impacts on these resources, the industry is projected to grow by over five percent per year over the coming years.[28] FFP loans to aquaculture projects would therefore be reasonably expected to result in minor long-term, cumulative impacts[29], both adverse and beneficial[30], due to the availability of financing for such projects. However, as with other fisheries projects, FFP loans represent a tiny percentage of the funding for aquaculture projects nationwide.

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[25] Aquaculture Impacts on the Environment; Craig Emerson, December 1999. http://www.csa.com/discoveryguides/aquacult/overview.php

[26] Breeding fish to be sterile is one way to minimize the impacts of accidental releases of farmed fish on wild populations. However, sterile male salmon will attempt to mate with diploid (non-sterile) females in the appropriate environment. In sufficient frequency, this would result in declining productivity among wild salmon stocks. "Use of sterile triploid Atlantic salmon (*Salmo salar* L.) for aquaculture in New Brunswick, Canada"**;** ICES Journal of Marine Science, 58: 525–529. 2001

[27] Aquaculture Impacts on the Environment; Craig Emerson, December 1999. http://www.csa.com/discoveryguides/aquacult/overview.php

[28] "Aquaculture production of seafood will probably remain the most rapidly increasing food production system worldwide through 2025, according to an assessment published in the January 2009 issue of BioScience." http://www.sciencedaily.com/releases/2009/01/090102082248.htm

[29] For example, if the use of forage fish for aquaculture grows at the same rate as the aquaculture industry, it is possible that over a ten-year period aquaculture could raise its percentage of forage fish used each year to over 24 percent from the present 15 percent. This would compete with other uses, such as animal feeds and pharmaceuticals, potentially raising their production costs, with follow-on effects in the larger economy.

[30] Beneficial impacts might result from aquaculture products expanding the supply of proteins for human consumption, lowering average prices and thus facilitating more balanced diets in the human economy. This is highly speculative, as it depends upon the extent to which other, land-based feed sources are used for aquaculture versus animal feed or renewable energy.

Vessels: When a loan is made to acquire a vessel, the vessel's fishing authority has already been subject to environmental review through the permitting process and the fisheries management plan. The loan does not affect how the vessel will be used. The FFP will not finance the acquisition of a vessel for introduction into a fishery that is overfished, or that is subject to overfishing. The potential direct impacts of financing the acquisition, therefore, are minimal. Indirect impacts may result from use of the vessel in the fishery. The FFP loan may make it possible for the vessel to fish more consistently over time, or for the owner to upgrade the vessel to make it more efficient at finding or harvesting fish, or more fuel efficient to reduce engine-based pollution. In a limited access fishery, this does not result in greater amounts of fish being caught in the aggregate, but it may result in the financed vessel harvesting all of its permitted quota more consistently. This may result in beneficial impacts from more efficient harvesting (reduced fuel, pollution, bait, etc.) If the vessel fishes in sensitive environmental areas, it may have adverse impacts that would not have resulted in the absence of the FFP loan. These impacts would be examined in a project level EA.

IFQs: As stated above, there are no direct biological impacts from the purchase or sale of IFQs, nor of the financing of those purchases. The issuance of IFQ is environmentally reviewed as part of the fisheries management plan. There may be some indirect impacts from IFQ loans over time, if the availability of loans allows the fishery to consolidate among a smaller number of fishers. However, the extent and duration of the impacts would depend upon the continuing health of the IFQ fisheries. If the IFQ system is successful, the fishery is likely to recover, leading to significant, beneficial impacts to the fishery. This may allow increases in annual allocations which would result in increased fishing activity, even by a smaller remaining fishing fleet. Increased fishing intensity would be a partial indirect adverse impact of the FFP loan program, but also of the existence of the IFQ system itself. However, the extent of consolidation is generally limited by the maximum percentages of ownership allowed in each IFQ fishery. An increase in fishing intensity would therefore result primarily from an increase in the annual allocations, allowed by the recovering health of the fishery. Furthermore, even in the smaller sector of IFQ fisheries, the FFP loan program supports a tiny fraction of the permits involved.

Indirect Impacts: There may be indirect impacts that result from system efficiencies or increased economic viability of the fishery, due to the presence of the FFP loan program. In concert with the stability in the fishery resulting from the availability of financing, fishers and fish processors may realize more consistent revenues and profits from year to year. As their cost of capital becomes less variable, profits become more consistent and the borrowers are better able to manage price fluctuations for their catch due to supply and demand conditions. This will allow them to plan expansions of their operations, potentially achieving some significant economies of scale. This would result in increased fishing activity (depending on the health of the fishery), more processing, sales, and distribution. Larger operations would sell to a broader geographic network, potentially increasing the shipping distances required to sell their catch.[31] Environmental impacts resulting from these economies of scale would be cumulative over time, and should be addressed in project-specific environmental reviews.

Irreversible or Irretrievable Commitments of Resources: Because the loan authority is periodic and dependent upon annual action by the Congress, there is no basis for any

[31] See for example, Seafood.com News, "China's Demand for Geoducks Sends Prices Soaring", 4/23/2012. http://www.seafoodnews.com/newsemail.asp?key=865218

determination of irreversible or irretrievable commitments of resources resulting from ongoing operation of the FFP. By the same token, approval of a loan for a project one year implies no commitment to make a further loan the subsequent year to the same project or borrower. There is, therefore, no basis for determining any irreversible or irretrievable commitment of resources. Even once approved, a loan may still not close if the borrower's financial circumstances are downgraded by economic or other factors prior to closing.

For Alternative 1, NMFS has found no direct biological impacts from continuing the FFP loan program to date, as loan authority was available. There may be some indirect and cumulative impacts, both adverse and beneficial, resulting from efficiencies of scale due to FFP support of economic stability in the fisheries over time, though the impacts of the fisheries management plans will far outweigh those of the FFP. There may also be long-term impacts, as a result of the availability of FFP loans facilitating the projected growth in the aquaculture or fish processing industries. These potential impacts, while not measurable at this time, would be analyzed in future PEAs as these sectors grow.

Social Impacts: The social impacts of the FFP are similar in kind whether the project is to finance or refinance, and whether it involves IFQ, a vessel, aquaculture or a shoreside facility. The impacts arise from the availability of the FFP to finance fisheries projects. The range of potential applicants for FFP loans is highly diverse, from small, single proprietorships (fishers with limited assets, for example) and non-profit Community Development groups, to private corporations and some publicly traded corporations with annual earnings in the tens of millions of dollars. Some applicants are directly involved in the fishery, while others are partners or shareholders, providing capital to the fisherman or the entity that is actually fishing or processing fish. The diverse qualities of applicants include fishery and non-fishery income sources, ages, levels of education, and geographic location. All applicants face an equal review of their qualifications for a loan, such that even the lowest-income fisherman has the same chance to qualify for an IFQ loan as a large private corporation does to qualify for a major facilities loan. IFQ lending has ownership limits and is designed for entry level fishers and fishers who fish from small vessels. It is a tool for those with no or small amounts of quota to start or increase their ownership. Often fishers at these levels have the most difficulty finding financing. Conversely, fishers may want to reduce their quota ownership or exit the industry entirely. Reasons for this include the desire to retire or change professions or fisheries and injury or medical problems. The same reasons can apply to the sale of a vessel or fisheries facility. The FFP provides the means to assist in the transfer of these assets.

Borrowers take the chance of using debt to acquire assets, such as IFQ or processing equipment, because they believe that they will earn more from the asset than the financing costs. If they are successful – and over 99 percent of present borrowers under the FFP have been – they may significantly improve their financial positions. This makes it easier for them to operate their businesses, remain current on their operating obligations such as leases or accounts payable, and plan ongoing business improvements. This supports other, indirect beneficiaries of the fisheries industry. If the loan program did not exist, the borrowers would have to raise funds from other sources, borrow in the private market (potentially at higher cost), or forego the opportunity to improve their financial status. Thus, NMFS estimates that direct social impacts of the FFP loan program are overall moderately beneficial in the short term for the borrower and for the fisheries community as well. Indirect social impacts from the availability of the FFP

will be moderately beneficial in the longer term, as households with more stable income encourage additional investment in all sectors of the community. Providing fixed-rate, long-term financing consistent with the useful life of the assets being financed reduces the financial stress on borrowers who operate in a cyclical environment of resource and regulatory changes. With appropriate financing, fish harvesters in particular are less likely to react to economic stress by violating fishing limits and regulations.

Economic Impacts: As with social impacts, the economic impacts accrue from the use of the FFP, not the type of project that is supported. The following analysis holds whether the loan supports the acquisition of IFQ, a vessel, or a shoreside or aquaculture facility.

The loan authority under FY13 levels was $83 million. With an overall FFP loan default rate of 0.0017 percent, the FFP can project that the vast majority of loans made will continue to support the fisheries industry to the same extent (i.e., we do not expect the default rate to rise). Current U.S. Treasury borrowing rates indicate that FFP borrowers may expect interest rates of around 5 percent for 20-year loans in 2014. With a 20 percent down payment, this gives the average borrower a leverage factor of 5. That is, the borrower can multiply his or her purchasing power by five times through the FFP loan.

The profit margins in the fishery industry vary widely between fishers, processors, aquaculture facilities and others. Nevertheless, with a leverage factor of five times, it is reasonable to estimate that projects supported with FFP loans will see their potential for increased profit significantly improved. For example, if a fish processor usually experiences a gross profit margin of 15 percent, he would expect to earn $3,000 on an investment of $20,000 in new equipment (i.e., to maintain his current level of profitability). If his investment were the 20 percent equity for an FFP loan of $100,000, he would increase his gross profit to $15,000. Taking away the financing cost (about $5,020 per year) would leave him with more than $9,980 in gross profit. If this experience is repeated across the entire FFP lending amount of $83 million in 2013, it would result in an increase of fisheries profit of nearly $10 million (net of financing cost).[32] An indirect benefit of this increased profitability is the federal and state tax revenues that derive from these loans. NMFS believes that the direct and indirect economic impacts of Alternative 1 will be minor-to-moderate, long-term, and beneficial.

4.3 Alternative 2 – Amend the Program

Biological Impacts: This alternative would affect primarily the choice between vessel loans and a variety of facilities loans under the traditional lending program. Approximately 86 percent of the current portfolio of FFP loans is for shoreside facilities, vessels, or vessels with quota share. Another 14 percent of loans were made to acquire IFQ. IFQ authority cannot be used for traditional loans, so amending the program would not involve IFQ loans.

IFQ: There is no difference in biological impacts from the status quo/no action alternative. Alternative 2 does not involve IFQ loans because the IFQ funding cannot be reallocated to any other loan type.

[32] A similar calculation cannot be made for CDQ groups, as these are not-for-profit organizations. However, similar benefits could result from CDQ loans, which would support fishermen in Western Alaska and their communities.

Shoreside Facilities: To reduce the environmental impact of the FFP would require assessing the remaining portfolio of loans to estimate the range of adverse environmental effects that have been generated from shoreside facilities. This would result in a recommendation of which types of facilities not to support with loans in the future. Existing loans would continue to be serviced, but new loans for certain types of facilities would not be made. NMFS would not approve a loan application for a project that resulted in adverse impacts on the fisheries or land.

However, NMFS already does not approve the loan application until it has completed an environmental review of the project. In order for a loan to be approved, the resulting environmental document should support a Categorical Exclusion (CE), a FONSI, or the implementation of a Mitigation Monitoring Plan (MMP) for adverse impacts identified for the project. NMFS could differentiate between these findings, favoring a CE over a FONSI project, or a FONSI over one with a MMP. However, this places NMFS in the position of further evaluating, or ranking, an approved publicly reviewed environmental process. Also, it favors one project over another on a non-financial basis. It may be that the project with an MMP actually results in improvements to the biological environment, as compared with a FONSI project that has minor, but still adverse, impacts.

Vessels: To reduce the environmental impact of the FFP would require assessing the remaining portfolio of loans to estimate the range of adverse environmental effects that have been generated from vessels. This would result in a recommendation of which types of vessels not to support with loans in the future. Existing loans would continue to be serviced, but new loans for certain types of vessels would not be made. NMFS would not approve a loan application for a project that resulted in adverse impacts on the fisheries.

However, NMFS does not currently support the construction of a new vessel. Any vessel for which a loan is made must already have been included in a fisheries management plan environmental review, in addition to having all necessary permits and licenses. NMFS, therefore, has no basis for estimating any direct adverse environmental impacts from making more or fewer loans to finance or refinance vessel acquisitions.

Consequently, while this alternative might result in some improvement in environmental impact from the FFP, NMFS has no adequate basis for objectively selecting between vessel and shoreside or aquaculture projects to fashion a lending program that is least harmful to the fisheries biology or the human environment. FSD's present policy to reject projects without an environmental review effectively meets its NEPA responsibilities.

Social Impacts: NMFS has not identified any social impacts from implementing this alternative, other than a potential adverse impact of discriminating against certain shoreside or vessel projects. If a framework for approving loans on the basis of environmental findings were instituted, it would affect roughly 86 percent (the proportion of traditional loans that involve facilities) of the traditional lending authority, or $86 million in 2014. Estimating how many projects would see their loans rejected for environmental reasons within this funding is entirely speculative. Consequently, NMFS cannot estimate any social impacts from this alternative, adverse or beneficial. However, given that the FFP has generated positive social impacts to date, it is unlikely that introducing an environmental factor into the loan review process would improve on the current, analytical basis for approving FFP loans. NMFS would therefore expect any social impacts of this alternative to be more negative than positive.

Economic Impacts: NMFS has not identified any difference in economic impacts from this alternative, as compared with the status quo/no action alternative. Both alternatives involve the same amount of funding to be provided on an annual basis. There is no basis for estimating a different profit profile for projects selected on the basis of environmental factors. There would be a decrease in positive economic impacts if all of the available funding could not be used for lack of environmentally superior projects. However, in that case less environmentally worthy projects (if financially viable) would likely be offered loans with the remaining authority. As with social impacts, such an outcome is not quantifiable at this time. NMFS would therefore determine that alternative 2 is likely to have a neutral impact on economic resources as compared with the status quo.

4.4 Alternative 3 – Halt the Program

Biological Impacts: The alternative to halt the FFP would have neutral direct biological impacts, though it might result in minor to moderate indirect impacts over time. The potential FFP borrowers would have to seek financing elsewhere, but there is no reason to believe that they would leave the fisheries, or that they would alter their methods of fishing if the FFP program was not continued. While the FFP provides some economic benefit, NMFS does not believe that the FFP alone constitutes a sufficient condition for fishers to succeed in their fisheries.[33] Even if some fishers or fish-related operations did leave the business due to lack of the NMFS program, there is no reason to believe that other fishers or fishing operations would not take their places. Thus, NMFS would not expect that removing the FFP program from operation would change the timing or intensity of fishing, fish processing, or aquaculture.

IFQs: Removing the FFP from IFQ programs would likely slow the exchange of quota shares somewhat, limiting the ownership of quota shares to fishers with substantial existing resources. The result would not increase fishing intensity, because this is determined by the allocation of shares under the IFQ program. However, there might be some inefficiency introduced, whereby a smaller fleet of fishers fails to harvest their entire allocations of quota. NMFS does not estimate any measurable adverse biological impacts from halting IFQ loans.

Shoreside: Halting loans for shoreside projects will have no direct adverse impacts on biological resources. However, indirect impacts may include adverse effects from future shoreside and aquaculture projects proceeding with private sector financing without NEPA review. NMFS, therefore, estimates that the indirect biological impacts to shoreside projects of halting FFP loans may be moderate, adverse, and long-term.

Vessels: Halting vessel loans will have no direct adverse impacts on biological resources. FFP loans to vessels are not approved unless the vessel exists, has all necessary permits and licenses, and is fully capable of operating in its fishery. The necessary permits are only provided after NMFS' NEPA review of the fisheries management program. Consequently, even if the vessels must find private sector financing, there is no change in fishing effort or other impacts from not having access to FFP loans. NMFS therefore estimates that the biological impacts to vessels of halting FFP loans will be negligible in the short- and long-term.

[33] Success in the fisheries depends upon many factors unrelated to the FFP, including the overall health of the fishery, the results of fishery management plans, national and worldwide demand for the harvest, and so on.

The lack of the FFP program during difficult economic times, or when conditions in the fishery are unfavorable, may result in some fishers leaving the fishery in a disorderly manner. In such conditions an indirect effect of halting the FFP program may be entry of less experienced fishers, with greater resulting harm to the biosphere due to lack of experience. This may result in more bycatch per trip, greater bycatch mortality (from discards), greater impact on the habitat from gear, and possibly overfishing. In the case of shoreside facilities, the lack of an FFP program may result in plant closures, and thus have indirect impacts on the environment. Again, while other operations may make up for the closures, operations that are shut down may continue to affect the local environment due to lack of maintenance, failure to monitor environmental controls, or inability to react to natural events such as flooding or wind damage. NMFS therefore estimates that indirect biological impacts of this alternative are likely negative and mild to moderate in the short- and long-term.

Social Impacts: Given the estimation of positive social impact of the FFP under the proposed alternative, NMFS believes that the social impact of not continuing the FFP is likely to be negative. Without the loan terms and loan availability, fisheries related activities would have to depend on the private capital markets for financing. The terms would likely be shorter and the loan costs greater. While shorter term loans tend to have lower interest rates, the need to provide a higher down payment for the loan (often up to 50 percent), lowers the loan multiplier and increases the borrower's opportunity cost of capital. A valuable tool easing the transfer of fisheries assets would be removed from the market. This would make it more difficult for both the entry to and exit from fisheries operations. NMFS therefore estimates that the direct social impact of halting the FFP would be moderately adverse in the short term, and that the indirect social impact would be minimal to moderately adverse in the short- and long-term.

Economic Impacts: Alternative 3 would keep up to $83 million in new lending authority out of the market. In a borrowing market valued in the trillions of dollars, this is an insignificant amount. However, as the proposed action is identified with moderate beneficial economic impacts from this annual lending authority, a program halting alternative should be judged as having moderately adverse economic impacts, due to fisheries related businesses having to find alternative sources for their ongoing financial needs. As described in the social impacts review, the more onerous terms of the private sector lending would represent a greater cost on operations, thus lowering economic returns of the borrowers, and by extension their suppliers. Ceasing to make FFP loans could have the indirect impact of lowering taxable revenues for the borrowers and their related suppliers. This would reduce tax revenues for the Federal and State governments affected.

NMFS therefore estimates that the direct economic impacts of halting the FFP program would be moderately adverse in the short- and long-term, while indirect economic impacts would be moderately adverse over the long-term.

5 CUMULATIVE IMPACTS

5.1 Definition

With regard to the FFP, cumulative impacts will result from projects supported with loans over time, in the context of fisheries management plans and growth in the fisheries as a whole. The scope of this cumulative impacts analysis is limited to analyses of past, present, and reasonably foreseeable future actions that affect those citizens who qualify for FFP loans. Reasonably foreseeable actions are actions that have the potential to occur over the next five years.

5.2 Past, Present, and Reasonably Foreseeable Actions

Past Actions

The FFP has supported fishers and fish processing operations through direct loans since 1997. The Action has been to evaluate, approve, and fund loans. The Present Action involves a continuation of this process, subject to limitations addressed in authorizing laws. Prior to the FFP, fishers and fish processors depended exclusively upon the private sector for loans to build new vessels and to establish or expand fisheries facilities. However, competition for capital increased as other sectors of the economy (housing, services) grew more rapidly. During the 1990's and 2000's, fisheries management plans have been developed, creating limited access programs and other circumstances to help rebuild America's fisheries.

Present Actions

The FFP program has a statutory limitation on its outstanding principal of $850 million, and as of December 2013, $ 382.6 million in principal was outstanding. Thus it is reasonable to assume that the program, if authorized each year at the current level, could make loans through at least 2019. The FFP could, therefore, make approximately $ 544 million[34] in loans over the next six years. Based on the history to date, this equates to about 306 separate loans, in roughly equal proportion of vessel and shoreside projects, including aquaculture projects.

Reasonably Foreseeable Future Actions

Reasonably foreseeable future actions include requests for increased lending authority (the IFQ program has increased from $16 million to $24 million from 2011 to 2012 and remains at that level today), the potential eligibility of additional fisheries under the IFQ program, and the completion of several loans under the CDQ program. Some of these actions would require new regulations to be published, which would require environmental reviews specific to the contemplated program changes. Other foreseeable actions include the implementation of additional IFQ fisheries and limited access programs, as components of fisheries management plans. These programs would also require NEPA review.

[34] This figure is approximate, because as loans are repaid, the outstanding balance declines, thus allowing more loans to be made under the authorized limitation.

5.3 – Cumulative Impacts

As stated above, NMFS cannot identify any cumulatively significant impacts associated with NMFS' proposed action to continue the FFP. IFQ loans are subject to statutory categorical exclusions, and vessels have always been considered excluded as well. No CDQ loans have been made to date. All of the shoreside facilities and aquaculture loans receive NEPA clearances prior to loan approval. Consequently, there are no measurable direct biological impacts from the FFP to be accumulated with indirect impacts.

Indirect non-significant biological impacts may result from the presence of the FFP in the fisheries, due to fiscal stability and economies of scale. As fisheries recover (a result of successful fisheries management plans), and fishing, aquaculture and processing operations benefit from stable economic conditions (supported by the FFP), fishers and fish processors are likely to expand their operations. This will result in increased fishing and aquaculture activity, with coincidental increases in impact on habitat, processing waste, product distribution, and related cumulative effects. These would be revealed and addressed in subsequent, project and location-specific environmental assessments. However, at this time NMFS estimates that cumulative biological impacts of the FFP program are likely to be mild to moderately adverse in the long-term.

The positive social and economic impacts are likely to increase with the additional years of FFP lending. While profits are highly dependent upon market conditions, weather, international competition, and many other factors, they have benefited from the presence of a consistent financing program over the years. NMFS has determined that the cumulative social and economic impacts of the FFP are likely to be moderate, long-term, and beneficial.

CONCLUSION

On the basis of the foregoing, NMFS believes that the proposed no action alternative, to continue the FFP in 2014 and subsequent years subject to annual authority, has no discernible biological impacts, either in the short- or long-term. There may be some indirect and cumulative non-significant biological impacts from the FFP, both adverse and beneficial, when the loan capability is combined with successful implementation of fisheries management plans. As these impacts are speculative and difficult to measure at a programmatic level, they should be identified through future project and location-specific environmental assessments. Further, NMFS has determined that the proposed action is likely to have moderate beneficial social and economic impacts for fishers and fisheries related businesses in the United States.

In comparison, NMFS believes the FFP modification alternative (alternative 2), as well as halting the FFP (alternative 3), will generate moderate adverse social and economic impacts in the short- and long-term, without any assurance of avoiding adverse biological impacts from fishing or fish processing. These two alternatives were examined with a view to reducing any potential adverse biological impacts from continuing to make FFP loans, but no basis could be established to conclude that the two alternatives would be preferable – i.e., reduce the likelihood of adverse biological or other environmental impacts – to the no-action alternative.

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