

REPORT OF THE BUDGET COMMITTEE

The Budget Committee met on June 12, 2006, and received the Executive Director's Budget Report from Dr. Donald McIsaac. The report included the current status of funding and expenditures for calendar year 2006, and preliminary expectations for future funding. In addition, the committee considered the need for a new committee chairman and committee member replacement in view of the expected departure of Mr. Jim Harp. The following Budget Committee members were present:

Mr. James Harp, Chairman
Mr. Donald K. Hansen
Mr. Mark Helvey

Mr. Jerry Mallet
Mr. Frank Lockhart

Current Status of Funding and Expenditures for Calendar Year 2006

Dr. McIsaac began his presentation by referring the committee to the range of funding expectations and resulting program and staffing levels outlined in the November 2005 Budget Committee Report. He noted that new funding received for 2006 (the regional council line item and supplemental funding) corresponds to the funding level identified in November as the best possible scenario. The new funding received and the carryover funding from the 2005 budget total \$3,605,145.

Dr. McIsaac presented the committee with a total proposed 2006 operational budget of \$3,491,361. This budget provides for continuation of status quo programs and Council staffing (including continuation of the highly migratory species effort), adds staff and capability primarily for the development of Groundfish Amendment 16-4 and the 2007-2008 Biennial Management Specification Environmental Impact Statement (EIS), and allows a small increase in the coastal state contracts. The budget includes a carryover obligation from 2005 for development of Phase I of the Trawl Individual Quota (TIQ) EIS. This obligation, somewhat less than \$200,000, has mostly been expended at this time and includes the contract with Northern Economics, Incorporated. Total expenditure of the proposed 2006 budget is proceeding within normal expectations for the first four months of the year.

Preliminary Expectations for Future Funding

Dr. McIsaac briefed the committee on his ongoing efforts to obtain additional funding to complete the TIQ EIS and proceed with an EIS defining intersector allocation. He met with Dr. Bill Hogarth, NMFS Assistant Administrator, and requested additional funding to keep the effort proceeding without a break this year. Full funding to complete final Council action in November 2007 would require \$1.7 million; \$600,000 was identified as the level necessary to continue without interruption through the end of 2006. Dr. Hogarth indicated he would give strong consideration to the request and expressed intent to provide an answer in a reasonably short timeframe.

For 2007, Dr. McIsaac reported that the President's budget includes \$18 million for regional councils. If this level were enacted, it would be an increase over the recent funding level of \$15 million, but would not provide hard funding at the level the councils need to maintain status quo operations under the combination of hard and soft funding they have been receiving. The regional councils have prepared a one-page fact sheet (attached) that identifies a needed funding level of \$25 million for 2007. The fact sheet includes a rationale for this level.

At this time there is considerable uncertainty in Council funding for 2007, with the associated risk that funding for status quo operations will be insufficient.

Appointment of a New Committee Chairman and Committee Membership

After 18 years as a Council member and chairman of the Budget Committee, Mr. Jim Harp will be ending his term in August. Following a discussion with the committee, Council Chairman Don Hansen, appointed Mr. Jerry Mallet as the new chairman to begin service with the September Council meeting. Appointment of an additional Council member to replace Mr. Harp will be made by the Council Chairman after new Council members have been appointed and begin service in August. The committee wishes to thank Jim for his many years of dedicated service.

Budget Committee Action and Recommendations

Mr. Donald Hansen moved and Mr. Jerry Mallet seconded a motion to adopt the budget proposed by Dr. McIsaac as the operational budget for 2006 (\$3,491,361) and to reserve \$113,784 from total available funds for use in 2007.

The Budget Committee recommends the Council approve the proposed 2006 operational budget and 2007 reserve.

PFMC
06/15/06