

## BUDGET COMMITTEE REPORT

Budget Committee (BC) Chairman, Mr. Jerry Mallet, called the meeting to order at 4:05 P.M. on November 12, 2006. The following BC members were present:

Mr. Jerry Mallet, Chairman  
Mr. Phil Anderson  
Mr. Donald K. Hansen

Mr. Mark Helvey  
Mr. Frank Lockhart  
Mr. Frank Warrens

[Dr. Dave Hanson was absent.]

Chairman Jerry Mallet added Item E, Miscellaneous Issues, to the agenda and Dr. Donald McIsaac proceeded with the Executive Director's Budget Report. The report provided a review of the current status of funding and expenditures for calendar year (CY) 2006 through September 30, 2006, including a projection of the expected year-end balance, and several potential budget scenarios covering a range of possible funding levels for CY 2007.

### **Current Status of Funding and Expenditures for Calendar Year 2006**

Dr. McIsaac reviewed the 2006 budget (\$3,791,000) and expenditures by major category as of September 30, 2006. He noted that the budget has increased from the previous report in September by \$300,000. As reported in the September 2006 BC Report, this additional funding, provided by NMFS Headquarters, is dedicated to support the completion of the Council's dedicated access program (DAP) which culminates in the trawl individual quota (TIQ) and intersector allocation fishery management plan amendments and environmental impact statements. For planning purposes, and setting aside the dedicated access funding which will not be fully obligated in 2006, the current CY 2006 budget report projects a positive year-end balance of about \$110,000 (about 3% of the original budget). Given the current budget uncertainties for 2007, Dr. McIsaac recommended any final realized balance be carried over to help fund CY 2007.

### **Expectations for Future Funding**

With regard to the fiscal year 2007 budget for regional councils, Dr. McIsaac reported that the federal marks include the President's budget at \$18 million, the House at \$16.7 million, and the Senate at \$30 million. Additionally, Dr. McIsaac considered status quo funding at \$15 million as a potential funding level scenario. The Senate mark recognizes the regional councils' fact sheet and request for funding that addresses their current needs and eliminates the need for the additional soft money support they have had to seek in recent years.

Following the election, timing of final action on the federal appropriation bill and what that action might entail is very uncertain. A continuing resolution is currently in effect that limits funding to extremely low levels. Additional continuing resolutions will be in effect to fund activities in the interim until a final Congressional budget is signed by the President. The availability of additional supplemental funding dedicated to the TIQ program is unknown at this time and is also dependent on the final appropriations by Congress.

Given the uncertainty, and setting aside any dedicated funding for the Council's DAP, Dr. McIsaac identified a range of possible CY 2007 Council budget scenarios and potential priorities for BC review and recommendations. Dr. McIsaac identified an estimate of \$3.2 million to maintain 2006 operational capacity in 2007. He then identified potential priorities for reducing or augmenting the budget at possible funding levels below or above the base operational capacity level.

**Miscellaneous Issues**

Chairman Mallet proposed that for the next meeting, the BC might want to consider the amount of information and level of detail provided to the committee. Is it enough or too much? What changes might the committee desire? Committee members expressed satisfaction with the level of detail provided by the staff and suggested no need for a future agenda item at this time.

**Budget Committee Recommendations to the Council**

Based on the information provided by Dr. McIsaac in his display of funding scenarios and priorities, the BC recommends the following priorities to guide budget development for CY 2007.

In the event funding exceeds the status quo operational capacity (\$3.2 million), the BC recommends:

1. Reserve any extra funding, up to a total of \$250,000, to cover CY 2008 funding uncertainties.
2. For amounts greater than an additional \$250,000, convene a BC meeting as soon as practical after the funding level is known to determine budget priorities.

In the event funding falls short of the status quo operational capacity (\$3.2 million), the sequence of budget priorities from first to last reductions should be:

<b>Action</b>	<b>Programmatic, Operational and/or Council Staffing Effect</b>
1. Reduce supplies and services budget up to \$57,000.	• Loss of some operating efficiencies and staff training opportunities.
2. Reduce ancillary meeting travel up to \$25,000.	• Fewer ancillary meetings and less Council member and staff travel.
3. Reduce highly migratory species (HMS) FMP implementation by about half up to \$24,000.	• Fewer HMSMT and HMSAS meetings; fewer HMS agenda items at Council meetings.

<b>Action</b>	<b>Programmatic, Operational and/or Council Staffing Effect</b>
4. Transfer staff and required travel, etc., to TIQ funded projects. (Up to 1.0 FTE of the Groundfish Policy Analyst position and 0.65 FTE of the Economist position; up to an overall total of \$158,000.)	<ul style="list-style-type: none"> <li>• Reduces or eliminates work on groundfish projects which transferred staff would otherwise work on.</li> <li>• Slower progress on TIQ projects (A result of less funding for outside contracts for TIQ products and because Economist's work on TIQ position has been funded from Council base funding.)</li> </ul>
5. Further reduce supplies and services budget up to \$8,000.	<ul style="list-style-type: none"> <li>• Further degradation of operational efficiencies and staff training opportunities.</li> </ul>
6. Rescind 2006 State contract increases up to \$26,000.	<ul style="list-style-type: none"> <li>• Reduces capability of State personnel to participate in Council management and associated degradation of Council performance in achieving implementation of FMPs.</li> </ul>
7. Eliminate one GMT meeting outside the Council meeting forum or reduce a GAP meeting to save up to \$9,000.	<ul style="list-style-type: none"> <li>• Further reductions in groundfish projects.</li> </ul>
8. Vacate the Groundfish Policy Analyst position and transfer 0.57 FTE of the Groundfish Staff Officer and associated travel, etc. to the TIQ project; up to \$68,000.	<ul style="list-style-type: none"> <li>• Further reductions in groundfish management projects and slowing of TIQ projects.</li> </ul>
9. Cancel September Council meeting (\$110,000).	<ul style="list-style-type: none"> <li>• Substantial and serious reductions in Council obligations under the Magnuson-Stevens Act.</li> </ul>

In the event the budget shortfall exceeds \$485,000, the BC recommends convening a BC meeting as soon as practical after the funding level is known to determine budget priorities.

PFMC  
11/17/06