

REPORT OF THE BUDGET COMMITTEE

The Budget Committee (BC) met on Monday, September 10, 2007 and received the Executive Director's Budget Report on the calendar year (CY) 2006 audit, current status of funding and expenditures for CY 2007, groundfish trawl rationalization (TR) and intersector allocation (IA) spending plan, and expectations for future funding. The following BC members were present:

Mr. Jerry Mallet, Chairman
Mr. Phil Anderson
Dr. Dave Hanson

Mr. Donald K. Hansen
Mr. Mark Helvey/Mr. Frank Lockhart
Mr. Frank Warrens

Absent: None

CY 2006 Audit Report

Dr. John Coon provided a brief overview of the audit report for CY 2006. The auditor's findings for the Council's financial affairs were an unqualified approval with no reportable conditions or material weaknesses.

Current Status of CY 2007 Base Funding and Expenditures

Dr. McIsaac reviewed the receipt of 2007 funding available to the Council. As of August 29, 2007, the Council has received or obtained access to all but about \$200,000 of the expected funding.

In June, the Council approved the recommendation of the BC establishing a CY 2007 budget of \$3,255,454. Since that time, the Council received another \$11,000 to fund travel to the September 25-26 workshop on issues involved with the reauthorization of the Magnuson-Stevens Act. This would raise the CY budget to \$3,266,454. In addition, Dr. McIsaac recommended that the BC add \$5,000 to the CY 2007 budget to fund contract work on Groundfish Amendment 15, bringing the total recommended CY 2007 budget to \$3,271,454. This action would reduce the January-February 2008 contingency funds by \$5,000.

Dr. McIsaac reviewed the 2007 budget and expenditures by major category as of July 31, 2007. He reported that expenditures are proceeding within normal expectations for the first seven months of the year. A more detailed assessment of expenditures through year-end will be provided at the November BC meeting.

Groundfish Trawl Rationalization and Intersector Allocation Funding

In May, the Council received \$1.4 million to complete the necessities for final Council recommendations regarding a limited access privilege program for the groundfish trawl fishery, including the IA Environmental Impact Statement (EIS) and the TR EIS. This amount, combined with funds remaining from \$300,000 in dedicated funds received late in 2006, provides a total of a little less than \$1.65 million to support the program for 2007 through 2009.

Dr. McIsaac provided the BC with proposed annual TR/IA spending plans for 2007-2009, with the proviso that they be reviewed annually when the Council base budgets are determined. The funding is to be used to support meetings, contractors, and Council staff working on TR and IA issues.

Preliminary Expectations for Future Funding

For 2008, Dr. McIsaac reported that the President's budget includes \$19 million for the regional councils' line item while the Senate and House marks are at \$15 million, last year's funding level. To continue at the current level of regional council operations, which have only been possible through the receipt of additional and uncertain soft funding, a line-item mark of about \$25-30 million would be necessary. Dr. McIsaac speculated that there is a high likelihood of uncertainty in Council base funding for 2008 beyond October 1, 2007, which may not be resolved until the first quarter of 2008.

Budget Committee Action and Recommendations

The BC recommends the Council approve:

1. The slightly revised 2007 CY base budget proposed by Dr. McIsaac of \$3,271,454; and
2. With the understanding the annual budgets for 2008 and 2009 are considered tentative and that changes may be necessary when final 2008 and 2009 base funding is known, the annual budgets for 2007-2009 for the IQ and IA programs of:

\$333,559 in 2007

\$809,245 in 2008

\$504,000 in 2009.

PFMC
09/13/07