

REPORT OF THE BUDGET COMMITTEE

The Budget Committee (BC) met on Sunday, November 2, 2008 and received the Executive Director's Budget Report. The report included (1) a summary of expenses through September 30, 2008 with projected year-end balances for both the calendar year (CY) 2008 base operations and CY 2008 groundfish trawl rationalization (TR) program, (2) a provisional CY 2009 operating budget, and (3) a range of possible 2009 funding and budget response scenarios. The following BC members were present:

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

Dr. Dave Hanson
Mr. Frank Lockhart/Mr. Mark Helvey
Mr. Frank Warrens

Absent: None

Others Present: Mr. Mark Cedergreen, Dr. John Coon, Mr. Steve Freese, Dr. Donald McIsaac, Mr. Rod Moore, Mr. Dale Myer, Mr. Dave Ortmann, and Mr. Chuck Tracy

CY 2008 Budget and Expenditures

2008 Base Operations

Dr. McIsaac reported that a review of the CY 2008 base budget (\$3,235,891), expenditures through September 30, and projected expenditures through year's end currently estimate a positive balance of about \$97,000. He recommended that any final realized year-end balance be retained to maintain the current capacity of Council base activities in CY 2009.

2008 Groundfish TR Program

Dr. McIsaac reported that a review of the CY 2008 groundfish TR budget (\$815,119), expenditures through September 30, and an estimate of expected expenditures through year's end, projects a likely positive balance of about \$36,000. He recommended that any final realized year-end balance be added to the approved CY 2009 TR budget of \$539,483 to fund ongoing TR activities in 2009.

Potential Funding Scenarios and CY Provisional Operating Budget for 2009

For Federal fiscal year (FY) 2009, Congress has passed and the President signed a Continuing Resolution that funds Federal operations through March 6, 2009 at the FY 2008 level. It is uncertain as to what action will follow—an additional Continuing Resolution or a new budget. Dr. McIsaac indicated that many knowledgeable individuals tracking FY 2009 budget resolution possibilities feel a repeat of the 2008 funding level is the most likely scenario.

Dr. McIsaac identified a Total Provisional Operating Budget for CY 2009 of about \$3.9 M, including base operations and the TR program. He showed information demonstrating that if

there is replication of the 2008 funding level from base operations sources, a total budget level of about \$3.9 M is achievable. This budget would maintain status quo Council staffing levels and associated operational capacity. However, it is important to note that full Council status quo operational capabilities would not be achievable if state, Federal, and tribal agency contributions to the Council process cannot be maintained.

Lastly, Dr. McIsaac identified priorities for funding scenarios above and below the provisional operating budget level and asked the BC to consider adopting this as guidance for 2009.

Budget Committee Recommendations

The BC stresses that Council activities pursued under the CY 2009 budget must recognize and be contingent upon the ability of state, Federal, and tribal member entities to participate in and contribute to the necessary workload. Currently, state government budgets are facing serious reductions and the National Marine Fisheries Service Regions have not been able to attain target staffing levels under the terms of Continuing Resolutions. With this concern in mind and based on the information provided by Dr. McIsaac in his display of funding scenarios and priorities for CY 2009, the BC recommends the following:

1. Retain any remaining CY 2008 balance for use in the CY 2009 budget.
2. Adopt a Total Provisional Operating Budget of \$3,882,637 for CY 2009, including base operations and the TR program. This budget is provisional, pending final cost-of-living and Federal travel allowance adjustments, and base funding levels as described in A and B below.
3. Implement the following contingencies in the event actual funding received is higher or lower than the provisional operating budget level:
 - A. In the event funding exceeds the Total Provisional Operating Budget, the BC recommends that:
 - 1) Up to a level of \$4.3 M—
 - a) Execute any dedicated funding (e.g., Ecosystem FMP development);
 - b) For undedicated funds, assign to contingency workload items; and
 - 2) Greater than \$4.3 M—
 - a) Execute any dedicated funding (e.g., Ecosystem FMP development);
 - b) For undedicated funds, set priorities and operational budget at the March or April 2009 Council meeting.
 - B. In the event funding falls short of the Total Provisional Operating Budget, the BC recommends that:
 - 1) Down to a level of \$3.7 M—
 - a) Reduce advisory body meetings and Council meeting agenda items;
 - b) Reduce contractor and Council staff-related categories; and
 - 2) Less than \$3.7 M—Set reduction priorities and operational budget at the March or April 2009 Council meeting or at an earlier emergency BC meeting.

PFMC
11/06/08