

## REPORT OF THE BUDGET COMMITTEE

The Budget Committee (BC) met on September 6, 2018 and received reports from the National Marine Fisheries Services (NMFS) West Coast Region, and the Executive Director's Budget Report for Fiscal Year 2018; including funding summary, summary of expenditures, and preliminary proposed 2019 Provisional Budget (Supplemental Attachment 1). The BC attendance was as follows:

Members Present: Mr. Pete Hassemer, Chair, Mr. Phil Anderson, Vice Chair, Dr. David Hanson, Mr. Herb Pollard, Mr. Brad Pettinger, and Ms. Marci Yaremko. Mr. Ryan Wulff and Ms. Michele Culver were absent.

Non-Members Present: Mr. Marc Gorelnik, Ms. Kelly Ames, Mr. Chuck Tracy, Mr. Mike Burner, Ms. Patricia Crouse, Ms. Theresa Labriola, Ms. Liz Cerny-Chipman, and Mr. Frank Lockhart.

After approving the meeting agenda, the BC received information from NMFS and the Executive Director as summarized below.

### **National Marine Fisheries Service – Sustainable Fisheries Division Budget Update**

Ms. Kelly Ames informed the BC on the status of federal budgeting for FY18 and FY19. All West Coast Region (WCR) funds for FY18 have been obligated. The House and Senate Appropriations Committees have passed NMFS budgets for FY19. The House bill proposes levels 0.87% less than FY18, while the Senate bill proposes a 4.75% increase.

There is an expectation that Congress will pass a budget or continuing resolution prior to September 30. However, NMFS is also preparing in the event a shutdown is declared. NMFS expects to be aggressive in incremental funding of the Council grants, consistent with the beginning FY19 appropriation.

Once the WCR receives their budget authority for FY19, the WCR Sustainable Fisheries Division (SFD) will initiate Phase 2 and Phase 3 spending. The Phase 2 budget supports WCR milestones and priorities and is managed by the SFD Assistant Regional Administrator and Division Manager while Phase 3 are special projects managed by the Deputy Regional Administrator.

Request for proposals (RFPs) from the National Catch Shares Program and Magnuson-Stevens Act (MSA) implementation funding lines are expected to be due December 1, 2018. These are temporary funds (no more than 3 years in duration) and have been used for a variety of short-term activities in the past. Projects need to tie to either fisheries management activities under MSA or to specific catch share programs. These RFPs must be submitted by NMFS, but can include the Council as a cooperator.

## **Executive Director's Report (Agenda Item F.4, Supplemental Attachment 1)**

Mr. Chuck Tracy presented information regarding the Council's current Calendar Year (CY) Funding Summary: 2018 funding was received in the amount of \$4.6M, and remaining funds from prior years of \$3.2M; with our adopted operational budget, the estimated remaining funds for use in 2019 should be approximately \$2.9M, which includes funding for special projects that are expected to continue through 2019. The 2018 expenditures through July are on target in comparison to the budget.

The proposed funding for 2019 Council and Commissions line item under the President's Budget includes a 176K increase for the eight Regional Councils, the House mark has a 3% increase for the Councils and Commissions, and the Senate mark has a 12% increase to the Councils and Commissions, which is to be applied equally to both Councils and Commissions. Based on past outcomes, the Pacific Fishery Management Council's Programs, Projects, and Activity (PPA) senate bills.

The staff preliminary proposed budget for 2019 presented to the BC was \$4.9M, which is a 2.3% increase over CY 2018 budget (without the SCS). However, at this stage that budget is more of a framework model and only includes routine and known priorities, and generic inflationary assumptions; it does not include priorities and certain options expected to come out of the September and November budget planning process, which will result in a provisional budget at the end of the November Council meeting.

Mr. Tracy requested the BC review and recommend adjustments to the liaison funding level for 2019 in an effort to increase funding, which would address such an objective in the Council's 5-year grant. The first proposal is a result of Alaska Department of Fish and Game (ADFG) request to forego a contract in 2018 and the foreseeable future. ADFG indicated they would try to find other funds to support participation in the Council process if priorities changed in the future.

- Option 1: Redistribute \$22,527 in equal amounts (\$7,509) to Washington, Oregon, and California base contracts beginning in 2019.
- Option 2: Redistribute \$22,527 based on number of Council participants per liaison (includes Washington, Idaho, Oregon, California, and Pacific States). Based on this option California Department of Fish and Wildlife (CDFW) would receive \$6,436.

The second proposal is to adjust the base contracts. The Council's PPA and Management Program and Services (MPS) funding for 2018 had a \$136,527 (3.2%) net increase, a portion of which could be shared with the liaison agencies.

- Option 1: Base contracts would be increased proportional to regulatory participation by liaison Council Members and Management Teams. CDFW would receive an additional \$5,579, Oregon Department of Fish and Wildlife and Washington Department of Fish and Wildlife \$4,782; Idaho Department of Fish and Game and Pacific States Marine Fisheries Commission \$797.
- Option 2: Base contracts would be equally increased by 3.2%, the net increase of the \$136,527 over the 2017 PPA/MPS level.

The last proposal is to change how Staff estimates liaison contract funds for special project proposals. Staff currently allocates contract funds by estimating the liaison Council Member and Management Team participation in the special activity and using a base contract hourly rate of

\$60. Updated methodology would be to increase the contract amount to \$86 to account for overhead and current rates of reimbursement.

Mr. Tracy discussed the cash flow needs for 2019-2020 since our 5-year grant final year is 2019. Council staff will begin tracking projects in 2019 that may continue into 2020 to facilitate a request for a 1-year no-cost extension. The special projects and continuing projects at this point are the Catch Shares Follow-on Actions and Fishery Ecosystem Plan (FEP) Initiatives; any new special projects funded and planned to begin in 2019 would also be included. Council staff also plans to purchase new equipment as needed, and work on a website update that is currently in the beginning stage. The timing of release of funds has been quicker in the last two years than previously, and if the trend continues the balance needed in the delayed spending account would be less than at the end of the previous grant cycle. Longer-term cash flow outlook improved over last year with the additional MPS line for regulatory reform in 2018, and would further improve with the House and Senate mark funding levels.

Mr. Tracy provided a list of potential 2019 special projects proposals for Council consideration and prioritization, and indicated a few that are currently on our Year at a Glance. Preliminary budget estimates were developed for a few of those to provide some general context for staffing requirements, time frames, etc.

As discussed, 2019 is the last year of the current grant cycle. Staff is currently starting the grant application process by developing budgeting and narrative work. The 2020-2024 application is due in August 2019, so Council approval needs to be completed at the June 2019 meeting so staff will have a draft application and budget at either a March or April Budget Committee meeting. A No-Cost extension is anticipated to be submitted also and updates will be submitted as part of the application package.

### **Public Comment**

Ms. Theresa Labriola expressed support for the FEP 5-year review be considered as part of the future budget development. The Ocean Conservancy and National Resources Defense Council recommendation to allow the management objective to ecosystem goals and objectives is supportive of the FEP update with the new science and essential fish habitat areas. She also noted that the Shallow Set Long Line was not a priority item.

### **Budget Committee Discussion and Recommendations**

**BC recommends Option 1 for the allocation of the forgone Alaska Contract (equal distribution to WA, OR, and CA), and Option 1 of the Base Contract funding (allocating based on regulatory participation).** The BC discussed the options and based their recommendations on the relative workload and participation in regulatory activities of the various liaison entities. If future increases in Council base funding occurs, the BC will consider options for increasing liaison contract funding at that time.

**BC recommends utilizing the new rate for special projects moving forward for the future development of special projects.** This rate reflects recent staffing levels for the contract amounts. The previous rate has been in effect for a number of years. The BC also commended

the staff for the analysis used to determine if there was a better methodology to compute the amount of state contracts in special projects.

BC discussed the prospects for any additional special project topics. Ms. Ames recommended considering adding salmon mitigation measures in the groundfish fishery and expanding the recreational Groundfish Discard Survival Credits item to include commercial fisheries. It was noted that while most special projects do not need to be fully identified until November, the development of project budgets and narratives is time intensive and the initial discussion and recommendations would assist staff to move these items quicker if needed. **The BC identified the following as potential special projects for development and prioritization:**

- **Request additional funds to finalize Catch Share Follow-on actions (Sablefish Management and Trawl Allocation Attainment Committee)**
- **Southern Oregon Northern California Coast Coho Harvest Control Rule**
- **Klamath River Fall Chinook/Sacramento River Fall Chinook Stock Status Assessment**
- **FEP Five Year Review**
- **Swordfish Management plan – additional funding**
- **Salmon Mitigation Measures for Groundfish Fisheries**

**The BC also recommends giving the Executive Director the flexibility to work with the NMFS Region and Science Centers to develop joint funding proposals as part of the HQ RFP process, and to submit special project proposals to the Region for their discretionary funds..**

The Council's potential role in marine aquaculture development was discussed relative to the National Oceanic and Atmospheric Administration priority. It was noted that the role may change if there is passage to the AQUAA Act, and that development of an aquaculture fishery management plan would be a large workload; therefore, the BC was hesitant to recommend putting Council resources into the process.

November BC meeting workload is to adopt a Provisional 2019 Budget and to review the 2015-2019 Grant narrative, which should help facilitate the 2020-2024 Grant application process.

PFMC  
09/10/18