

REPORT OF THE BUDGET COMMITTEE

The Pacific Fishery Management Council's (Council) Budget Committee (BC or Committee) met on Tuesday, March 8, 2022, to receive an update on the 2020-2024 cooperative agreement funding through January 31 and to have a preliminary discussion on budget priorities.

Members present: BC Vice-Chair, Mr. Corey Niles, Mr. Marc Gorelnik, Mr. Brad Pettinger, Ms. Marci Yaremko, and Mr. Ryan Wulff. BC Chair, Mr. Pete Hassemer and Dr. Dave Hanson were not in attendance.

Non-Members present: Mr. Merrick Burden, Mr. Mike Burner, Ms. Patricia Crouse, Ms. Kelly Ames, Ms. Corey Ridings, Mr. Phil Anderson, Mr. Bob Dooley, Ms. Christa Svensson, Ms. Maggie Sommer, Ms. Heather Mann, Ms. Heather Hall, Ms. Lynn Lanford Walton and Mr. Kris Kleinschmidt.

National Marine Fisheries Service (NMFS) West Coast Region (WCR) – Sustainable Fisheries Division Budget Update

Mr. Ryan Wulff discussed that the House would be voting on the Fiscal Year 2022 (FY 2022) Omnibus funding bill tomorrow (March 9) and an update relating to that decision may be available by next week. Additional work by NMFS will still be needed if there is a further continuing resolution(s) or if the FY 2022 budget is passed. The annual Headquarters (HQ) Request for Proposals (RFPs) have been submitted, but full funding has been delayed until the budget is adopted. However, some funds have been received by the Region that support Council priorities including for Geographic Information System (GIS) support to help with the non-trawl Rockfish Conservation Area analyses, the Sablefish Management Strategy Evaluation, gear marking workshops, and Deep-Set Buoy Gear implementation. NMFS West Coast Region (WCR) is requesting support for additional funding of an independent reviewer to evaluate the costs associated with the required elements of the Groundfish Trawl Rationalization Program and provide an analysis to be considered as part of the next 5-year review. Final decisions on that request will be delayed until FY 2022 funding is finalized.

Executive Director's Report (Agenda Item C.3, Supplemental Attachment 2)

Mr. Merrick Burden presented information concerning the Council's level of deferred spending, and forecasts regarding the use of those funds. Of note, expenses will undergo a shift as Council operations transition from those appropriate for the pandemic, and toward operations that support Council activities in a post-pandemic world. The intent of the Executive Director's briefing was to provide a more robust understanding of our income, spending, and financial outlook, and to provide a basis for the Council to make financially sound spending decisions in the future.

To help facilitate decision-making regarding the Council's budget, the committee reviewed historic funding levels and activities. From 2016-2018 funding was enhanced by special projects, while funding from 2019-2021 has been relatively static. During this time expenses have slowly increased due to several factors. Based on current 2022 expectations, the deferred spending balance at the end of CY 2022 is forecast to be slightly less than \$2 M, a decline of roughly \$1

million. If the funding and expenses remain static, we would expect to fully deplete deferred spending levels before the end of our grant in early 2024.

The BC considered different categories of expenses (such as staffing, travel) according to pre-pandemic, pandemic, and post-pandemic time periods. Over time the highest budget category has included staff wages and benefits, and these expenses have risen due to cost of living, insurance, and staff advancements. The second largest expense category has traditionally been travel. Travel expenses were reduced substantially during the pandemic but are expected to increase post-pandemic compared to pre-pandemic years. State and Liaison contract expense levels have varied noticeably, with a relatively large increase in recent years.

The estimated 2022 Funding and Budget Summary provided in the Executive Director's report indicates that at the end of 2021 deferred spending levels were approximately \$3.1M. Since the start of 2022 the Council has received funds of \$2.4M, which provides a current balance of \$5.5 Million. Staff expect an additional \$2.3 million in 2022, for a total available balance of \$7.9M. The 2022 Provisional budget, if entirely expended would leave \$1.8 million in deferred spending at the end of the year. The BC suggested that staff prepare an analysis for the June meeting to help the BC and Council understand the fiscal risks that could be addressed with the deferred spending amount.

Additional Matters

Mr. Wulff introduced a WCR proposal for a Headquarters RFP to requests funds for an independent third-party contractor to review the various costs of the trawl rationalization program and that this could be used to help the Council's consideration of the program's five-year review. During the past, there has been discussion of the types of costs that are borne by the program and the details provided by the independent reviewer could provide a broader insight for future consideration. This item is a new RFP and is on hold until the final HQ funding is complete. This is envisioned to be a multi-year proposal for fiscal years 2022 and 2023 in the amount of \$170,000 in total.

Council staff and WCR staff have discussed the proposal in the context of the trawl program review. Should the WCR proposal be funded. Council staff and WCR staff envision co-managing the project in a way that would help to bolster capacity and avoid duplicative or unnecessary work.

Budget Committee Discussion on Activities

The BC discussed the development of a policy to address financial risks that the Council could face if a delay in funding were to occur due to appropriations, continuing resolutions, or similar. The BC suggested that Council staff develop a written policy for discussion at the June BC meeting, and that such a policy could be intended to help buffer against funding delays or unplanned expenses. Any consideration of financial risks would need to occur within the constraints and purpose of the Council's grant.

In terms of the Council's budget, the BC discussed looking at line-item costs and expressed interest in having a more robust discussion about Council process and design of the Council's budget moving forward. Mr. Wulff commented about the North Pacific Fishery Management Council's Staff Discussion Paper about possible changes to their meeting process and wanted to flag that our

Council may want to have similar discussions including the budget impacts to each of those considerations.

Budget Committee Recommendations

- 1. Request Council staff prepare a draft policy and rationale concerning the use of the Council's deferred spending account, and include information that informs the level of financial risk the Council may face due to funding delays and unforeseen expenses. This information should be prepared in time for the June 2022 Budget Committee Meeting.**
- 2. Support Council and Council staff engagement on the Trawl Cost project if the NMFS WCR funding proposal is awarded.**
- 3. Hold a June 2022 Budget Committee Meeting to discuss 2022 Operational Budget and Deferred Spending Accounts.**

PFMC
03/13/22