

## REPORT OF THE BUDGET COMMITTEE

The Pacific Fishery Management Council's (Council) Budget Committee (BC or Committee) met on Wednesday, June 8, 2022, to receive an update on the 2020-2024 cooperative agreement funding through May, review the calendar year (CY) staff proposed Operational Budget and consider other budget issues outlined in the [Budget Committee Agenda](#).

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

Mr. Ryan Wulff discussed the status of Fiscal Year (FY) 2022 WCR Funding which included an adjustment that will allow for some backfilling of vacant staff positions. Additionally, the WCR was awarded \$170,000 to conduct an analysis that evaluates the costs associated with the Groundfish Trawl Rationalization Program. These funds will come to the Council. It was also noted that NMFS received additional funding in FY 2022 for offshore wind related issues, but those funds will be mainly distributed to the East Coast. Mr. Wulff noted that the FY 2023 President's budget has been introduced with a requested increase to both the Council's and Commission's line items as well as new funds to support efforts related to climate change, equity and environmental justice, and offshore wind. The latter includes resources specifically directed to support NOAA's efforts on the West Coast. Finally, Mr. Wulff noted that climate change-related funding requests for FY 2023 are focused on work by the Science Centers. It is anticipated that the FY 2024 President's budget will have proposed increases related to management and work at the West Coast Region.

### **Executive Director's Report ([Agenda Item C.4, Supplemental Attachment 2](#))**

Mr. Merrick Burden provided an overview of the Council's Grant and Budget planning process (Council Operating Procedure 9, Schedule 7). this was followed by a presentation regarding the budget amounts that were proposed in the 2020-2024 grant request and compared those amounts to the level of income that the Council has received since that time, and that staff anticipate receiving in the next two years. The 2022 staff proposed budget is in line with the Grant proposal for the same period.

A 2022 fiscal snapshot was presented indicating funds on hand at the beginning of the year, funds received through May, and estimates of funding expected to be received through the end of the year. The total funds available for the year are approximately \$8.3 million (including funds from the delayed spending account, funds received, and funds expected). The staff proposed operating budget is expected to result in a delayed spending account balance of \$2.5 million at the end of 2022.

Mr. Burden also presented a 2021 budget summary. 2021 expenditures equaled 95 percent of the 2021 operational budget of \$5 million.

Mr. Burden presented the 2022 Proposed Operational Budget for discussion and compared the proposed budget to the Provisional Budget that was adopted in November. The 2022 Proposed Operating Budget (\$5,798,871) is roughly \$500,000 lower than the Provisional Budget, and these reductions include: a reduction in travel expenses of \$177,000, a reduction of \$70,000 in staff

expenses, a reduction in contracts of \$146,000, and a reduction in services of \$82,000. The proposed operational budget, if fully expended, would result in an end-of-year delayed spending account balance of approximately \$2.5 million (drawdown of roughly \$735,000). The 2022 Proposed Operational Budget also includes pass-through funding that was not included in the Provisional Budget.

The Budget Committee then considered the Council's fiscal outlook through the end of the grant period. For context, Mr. Burden presented expenses and budgets from 2015 to 2022, and drew particular attention to budget categories that have changed substantially during that period, including contracts, staff-related expenses, and travel. The committee noted that planned expenses for CY 2022 are roughly \$700,000 higher than our expected income and it was noted that this type of budget situation is not sustainable over the long-term. Mr. Burden proposed one or two special Budget Committee meetings over the summer months in order to more clearly identify budget priorities and to create a sustainable budget situation beyond 2022.

### **Additional Matters**

The committee discussed the need to plan expenditures for the remainder of the grant, and in particular how far to spend down the Council's delayed spending account. The Committee considered an additional meeting over the summer to explore long-term budget issues. The Committee recommended that we tentatively plan for an October meeting instead of a summer meeting.

### **Budget Committee Discussion on Activities**

The Committee requested that staff develop two proposed preliminary budgets in anticipation of the September meeting, one balanced budget (expenses equal income) for 2023 and one budget that is designed to result in a fully depleted delayed spending account at the end of the current grant cycle. The BC also discussed the level of financial risk that the Council should be prepared to manage (delayed spending account) in the event funding to the Council is delayed, but no recommendation was made regarding this matter as staff are still compiling information to help advance this discussion. The BC also discussed how the Council Efficiencies White Paper that is scheduled for September would be relevant to future budget considerations and reiterated the need for discussions about Council operations and budgets to be held concurrently.

It was noted that 2024 is both an election year and the end of our grant cycle and that might affect the timing of funding for 2025. It was also noted that we had only received approximately half of our CY 2022 funds to date with no certain date on the remaining amount of funds to be made available. Comments were made about the current volatility of costs relating to fuel, cost of hotels and other items and the BC was curious if that information was included in the current budget. Mr. Burden reiterated that some of the current volatility wasn't included in the CY 2022 budget, but staff would be working on including some of those into the CY 2023 budget development process.

The BC recommended the proposed CY 2022 budget of \$5,798,871 for adoption by the Council and thanked staff for working through the budget adjustments and corrections. The Committee supported having a September meeting and expressed support for an October interim meeting to discuss a strategic approach to future budgets.

**Budget Committee Recommendations**

- 1. Adopt CY 2022 Operational Budget of \$5,798,871.**
- 2. Hold a regularly scheduled Budget Committee Meeting in September.**
- 3. Hold a special Budget Committee Meeting in October 2022.**
- 4. Request staff create two preliminary budgets for CY 2023 – first a zero-balanced budget and second to anticipate having minimal funds remaining in the delayed spending account at the end of the grant.**

PFMC  
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