

## REPORT OF THE BUDGET COMMITTEE

The Pacific Fishery Management Council's (Council) Budget Committee (BC or Committee) met on Thursday, September 8, 2022, to receive an update on the 2020-2024 cooperative agreement funding through August, review the Calendar Year (CY) 2022 expenditures through July, and to provide guidance on the CY 2023 advance provisional 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 noted that the Fiscal Year (FY) 2023 Budget is still not finalized, and the Region is preparing for a continuing resolution (CR) to be passed. Additional information will be available regarding the status of funding at the November 2022 Council meeting. Mr. Wulff indicated that there may be a continued delay in full funding until after the mid-term elections. There was discussion of funding being made available via upcoming Request for Proposals (RFP) from National Oceanic and Atmospheric Administration Headquarters (NOAA HQ), but until priorities of the Congressional budget are identified, it is unclear what those funds could be used for. Recent RFPs from NOAA HQ have encompassed the topics of catch shares, climate change, equity and environmental justice, and offshore wind which will more than likely be a priority again for 2023.

### **Executive Director's Report ([Agenda Item C.5, Supplemental Attachment 2](#))**

Mr. Merrick Burden provided an overview of the 2021 Audit Results. This report was different from prior years due to an unusual circumstance that resulted in a finding that was reported by the Auditors. The finding resulted from staff drawing funds at the end of the grant period with the understanding that those funds would not be available in 2022, however this understanding was incorrect and later information indicated that those funds would have continued to be available after the December 31 grant expiration. The staff has since confirmed the grant period allows for drawdowns to occur after the closing date of the grant and have clarified and made note of appropriate procedures for drawing funds at the end of the grant for future periods.

Mr. Burden provided an overview of the Council's Grant and Budget planning process (Council Operating Procedure 9, Schedule 7) and indicated September is where the Audit review occurs and is the starting place for the next year's budget.

A 2022 fiscal snapshot was presented indicating that the total amount of funding available to the Council this year is approximately \$8.3 million which includes the funds from the delayed spending account and CY 2022 funds that have been received. Mr. Burden indicated that we expect to draw nearly \$800,000 from the delayed spending account this year.

Mr. Burden presented three 2023 budget options. The Advance Provisional Budget estimates 2023 expenses at approximately \$6.0 million. This budget is considered a "status quo" budget and reflects expenditures that generally continue operations as they are today, with some notable exceptions such as full in-person Council meetings in 2023. This budget is not intended as a

recommendation, but instead is intended to serve as a starting point for discussion of the 2023 budget. This budget is contrasted with the “balanced budget” option of \$5.0 million. This lower level of expenditures was simulated by reducing the staffing line item, reducing outside travel, reducing travel for advisory bodies to the Council meetings by one-half, State and Liaison contracts revert to the 2018 level, outside contracts are maintained only for core work, and there would be no equipment purchases for the year. Mr. Burden indicated that the impact of this balanced budget option may be a narrowing of the Council Agenda and it may compromise Council support and function. The other 2023 budget option, titled the “spend down” budget, includes expenses of \$6.3 million. This budget includes everything in the status quo budget but adds a 75 percent Full Time Equivalent staff member and outside contracts are enhanced to include additional support for communications and Geographic Information System (GIS) analysis. Possible implications of the spend down budget would enable a temporary surge of funds and work through the end of the grant period at which time the Council would need a contraction of spending which may be disruptive to operations.

Looking at a comparison to prior years, the expenditure categories that appear to have the most flexibility to make adjustments are travel and contracts. Depending on the budget adopted, the Council could have delayed spending funds reduced by a range of zero to \$1.2 million, resulting in a delayed spending account of approximately \$2.4 million to \$1.2 million at the end of 2023.

Mr. Burden presented a recap of expenses by category for the years 2015-2021 and related graphic showing contract details over the same timeframe. Key questions were provided to facilitate Committee discussion around the level of funds that would be needed over time, and how best to spend funds from the delayed spending account over time.

Mr. Burden worked with the Council Coordinating Committee’s (CCC) Legislative Contractor to respond to earlier questions from BC members regarding financial risk, and in particular, the financial risks posed to the Council due to delays in funding from Congress, government shutdowns, or similar. Mr. Burden presented information received from the CCC contractor reflecting the timing of continuing resolutions and reflected on how this may shed some light on financial risks. Other considerations regarding the management of financial risks were discussed, such as the Council’s prior approach of having approximately six months of expenses in the delayed spending account.

Mr. Burden discussed various ways to trim Council expenses in order to minimize disruption to the Council process. These approaches stressed the potential for cost-savings from remote meeting formats, a reduction in the size of Council meetings (for example, reducing the number of advisory bodies that meet in person with the Council), and other possible approaches.

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

The Committee discussed how much inflation was included in the 2023 budgets, especially for the travel line item, and what considerations were used. The Committee discussed 1) interest in having Council staff further review inflationary information relative to 2023 expenses and 2) provide details on attendance of advisory bodies at Council meetings so as to better inform a discussion of whether to move some advisory bodies from an in-person format to a remote format for one or

more Council meetings throughout the year. There was also discussion of how the staff wages and benefits cost item would be impacted with the known and possible future retirements of Council staff.

The Committee further discussed financial risks to the Council, especially with regards to the timing of funding. The Committee requested the staff engage in further discussions with NMFS regarding the management of these risks and the timing at which funds can be expected to arrive at the Council in the future.

The Committee found it challenging to envision a future where workload could be reduced from where it is today, and found it difficult to envision a related reduction in travel and meeting expenses. There was discussion of how the Council Efficiencies agenda item would fit into this budget planning and it was determined that the budget piece move forward and to incorporate the results of the Efficiencies white paper into an October Budget Committee Meeting. The Committee requested additional information on the staff leave account, forecasts of staff-related expenses based on upcoming retirements, a closer look at inflationary pressures and related expenses (particularly in regards to travel expense), and more specific information regarding the cost of bringing individual advisory bodies to Council meetings throughout the year.

The Committee reviewed and supported the 2021 Audit Results. The Committee discussed elections and approved Mr. Pete Hassemer to continue to serve as Chair and Mr. Corey Niles continue to serve as Vice-Chair for the next year.

#### **Budget Committee Recommendations**

- 1. Hold a special Budget Committee Meeting in October 2022.**
- 2. Hold a regularly scheduled Budget Committee Meeting in November.**
- 3. Request staff to continue to refine the three budgets for consideration and review including the information requested regarding Staff Wages and Benefits, Travel, and Stipends.**

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