

REPORT OF THE BUDGET COMMITTEE

The Pacific Fishery Management Council's (Council) Budget Committee (BC or Committee) met on Wednesday, October 26, 2022, to receive information regarding the Council's leave liability, inflationary considerations, stipends, the draft 2023 provisional budget with details of Council Meeting Travel. On Thursday, November 2, 2022 they met to receive an update on the 2020-2024 cooperative agreement funding, review the Calendar Year (CY) 2022 expenditures through September with estimates to year end and to provide guidance on the CY 2023 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 operating under a continuing resolution (CR) until December 16, 2022. Currently, there are plans for hiring of several new staff in the new FY. There was discussion of funding being made available via upcoming Request for Proposals (RFP) from National Oceanic and Atmospheric Administration Headquarters (NOAA HQ), with \$3 Million available nationwide for Catch Shares priorities, and \$1.8 Million available for Magnuson Stevens Act activities. The Catch Shares priorities include enforcement, database sharing, implementing the Equity and Environmental Justice strategy and responding to findings from the National Academy of Science for the use of Limited Access Privilege Programs (LAPP) mixed-use fisheries. The Magnuson-Stevens funding category prioritizes Ecosystem-Based Fisheries Management and the effects of climate change to fishery management. The Region is working with the Science Centers to rank the current recommendations to forward for HQ review.

The Committee discussed the availability of any funds being able to be utilized by Council activities and asked NMFS about the use of funds to support Council activities. The Committee asked about the Inflation Reduction Act funding and how those funds could be utilized. Mr. Wulff noted funding associated with both the Inflation Reduction Act and Infrastructure Bills are being addressed through HQ and is expecting an update by the end of the month. The Committee asked if there was a way for the Committee or Council to provide input on the priority setting process and Mr. Wulff indicated the timing of the request submission would be after the Council meeting but he would be available at this meeting for feedback on Council priorities.

Executive Director's Reports

At the October 26 BC Meeting, Mr. Merrick Burden provided information that responded to several requests for information from earlier BC meetings, including questions regarding the Council's leave liability and inflation. This information illustrated how past Council actual expenses had differed from provisional budgets on the matter of leave liability, due in part to extensions of the 2015-2019 grant. Liability status from 2015-2021 was presented and showed we have been adequately funded for those years, The forecast of possible liabilities moving forward indicates we may be underfunded as future staff retirements occur.

Mr. Burden provided information on how the Council may be impacted by inflation in 2023. Several Council expense categories are known due to the presence of contracts, and these expenses include office rent, staffing, hotel, and per-diem rates. Some Council expenses, such as airfare and mileage, are not currently known but have been projected in our budget materials based on current cost trends. The historical data for lodging rates and per-diem rates were provided and show minimal changes over the last 5 years. 2023 rates are expected to be static once again. Airfare rates have increased over the last year but are similar to the pre-COVID travel rates.

Mr. Burden presented details of funding from 2015 to 2022 with information showing base funding compared to special project funding. Since 2018, additional funding for special projects has been minimal compared to 2015-2017. Most recently, the Council has received limited special funding and it appears unlikely at this time that special project funding will be available to the Council in the near future.

The BC considered financial risk management. As part of this consideration, the BC examined the timing of funding to the Council over the last 8 years. This information was provided as an indicator of how long the Council may need to stretch funds between different years. Based on this information, staff suggested being able to fund the Council through April of any given year, which would amount to approximately \$1.1 Million in the delayed spending account.

Next, Mr. Burden presented an updated Calendar Year (CY) 2023 provisional budget. This iteration was generally described as a “status quo” budget option, that includes status quo meeting attendance, reduces the state and liaison budget to the grant request level, and eliminates several other contracts. Projected budgets (similar to recent budgets) vs. award for the next two years was presented and that indicates we would spend more than the award in each year and the delayed spending account would be nearly depleted by the end of 2024.

Mr. Burden discussed options for cutting expenses in order to be better equipped to manage potential financial risks. Suggestions and considerations for trimming expenses included: trimming staff incentive pay, trimming some international travel, trimming state liaison contracts, and reducing the number of in-person advisory bodies at the Council meetings. If all suggestions were followed, the resulting provisional budget would be \$5.69M compared to the \$6.03M presented in September.

Staff provided details regarding travel expenses by different advisory bodies, staff, and Council members both during Council meetings and outside Council meetings. Staff highlighted some areas where travel expenses could be trimmed in order to reduce expenses. The BC considered these suggestions and made several recommendations for refining travel cost forecasts given the Council’s future agenda and workload.

Budget Committee Discussion on Activities

The BC discussed travel costs and recommended several refinements and changes based on Council workload and practice of in-person versus remote meetings. Among other matters, these refinements envision remote meetings for the Groundfish Electronic Monitoring Policy Advisory Committee (GEMPAC) and Groundfish Electronic Monitoring Technical Advisory Committees (GEMTAC), planning for one in-person meeting of the Ecosystem Advisory Bodies and the Marine Planning Committee, and to add expenses for two workshops covering salmon management and

conservation. Based on these changes, the Committee supported a revised CY 2023 Provisional Budget of \$6,041,021.

The BC discussed the need for the future meeting to be held in April if Congressional funding is known to finalize the CY 2023 Operational Budget at that time. **The Committee recommended an April or June 2023 as appropriate.** Mr. Burden discussed that the intent is to have the spring 2024 Council Meetings be contracted with hotels by the end of the year but possibly hold off on contracting the remainder of the meetings to determine the results of the Council Efficiencies topic and continued discussion of long-term Council budget planning.

The Committee discussed the concept of a “Meeting of the Whole” where Council members could consider strategic budget planning, planning for the Council’s next grant period, and strategic considerations that have been discussed as part of the Council Efficiencies and Effectiveness agenda item. Mr. Burden discussed the possibility of a summer 2023 meeting to discuss that process and envisioned a 1–2-day meeting with Council Members, few Council Staff, and a facilitator for the group to make a recommendation to the Council at a future meeting. **The BC recommended consideration of that meeting.**

Budget Committee Recommendations:

- 1. Council adopt the CY 2023 Provisional Budget of \$6,041,021 for use beginning January 1, 2023.**
- 2. Hold an April or June 2023 BC Meeting as appropriate.**
- 3. Recommend consideration of a “Meeting of the Whole” to discuss budget in the context of the Council Efficiencies Topic.**

PFMC
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