

REPORT OF THE BUDGET COMMITTEE

The Pacific Fishery Management Council's (Council) Budget Committee (BC or Committee) met on Friday, September 8, 2023 to consider several financial matters. These included: the 2022 audit summary; a review of the Calendar Year (CY) 2023 expenditures through July 30; the 2020-2024 cooperative agreement funding; the CY 2024 staff preliminary proposed budget; the Inflation Reduction Act (IRA); and planning for the Council's next grant period.

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

Mr. Ryan Wulff provided an update on the status of Fiscal Year (FY) 2023 funding and noted FY 2023 ends September 30 and the FY 2024 appropriations bill is still in discussion within Congress. NMFS is currently planning for the possibility of a government shutdown on October 1, 2023 if a bill is not enacted. Mr. Wulff noted that the Department of Commerce is transitioning its travel, financial and grant applications to a new system, called Business Applications Solutions (BAS). This transition is planned from October 1-25 and includes a hold on all non-mission essential travel in October. If the transition takes longer than expected, the travel hold may impact participation at the November Council Meeting. Mr. Wulff also summarized expectations for NMFS 2024 funding. Currently, the Region is anticipating the potential of a 2024 budget that is reduced from 2023 levels.

Audit and 2023 Budget

Mr. Merrick Burden indicated that the Calendar Year (CY) 2022 audit results generally provide a favorable view of our financial statements and compliance with rules for federal awards. This has led to an "unmodified" finding in the report. The 2022 audit includes a finding that is a carry-over from 2021, which has been resolved. The 2020-2024 Financial Status shows funds available to the Council as of August 15 equals \$8.2M. Assuming the Council utilizes all 2023 budgeted funds, the projected year-end delayed spending account balance is estimated to be \$2.3M (with an annual deficit of \$767,000). IRA funding may impact these numbers, but the total impact is unknown at this time.

2024 Pre-Provisional Budget

The CY 2024 Pre-Provisional Budget is built to largely sustain operations that resemble status quo but includes more hybrid and remote meetings to counteract increasing costs due to inflation and other factors. The pre-provisional budget equals approximately \$6.1M and is marginally higher than the CY 2023 budget. If IRA funding is received in 2024, it may be possible to shift expenses from the base budget to the IRA budget. A very preliminary review of expenses that may qualify for IRA funding indicates that somewhere on the order of \$200K to \$400K could be shifted from the base budget to an IRA budget. This would result in a base budget that is closely aligned with 2023 expenses.

Mr. Burden discussed the details and rationale behind the 2024 pre-provisional budget. A summary of key points includes:

- Inflation is causing costs to rise quickly
- The travel expense category reflects more remote meetings for advisory bodies and Committees, among others
- Contract expenses are largely held at 2023 levels, but with some adjustments to account for the Council's 2024 agenda

Inflation Reduction Act

Mr. Burden presented an overview of IRA Funding. This included a discussion of how funding may make its way to Councils, the stated goals of any IRA funding that would be sent to the Councils, and certain process and timeline considerations related to the funding opportunity.

\$20M in IRA funding will be made available to the Councils by NMFS. Present plans being communicated by NMFS HQ indicate that, in order to secure portions of this funding, at least two proposals will be required of each Council. The first proposal will be required to acquire an amount of \$375K that is being made available to each Council. The purpose of this funding is to assist in building capacity for taking on IRA projects, in particular, capacity in the form of staff and/or contractors. The second proposal will need to be linked to special projects or actions that support the goals and objectives that NMFS has outlined for IRA funding. This second proposal should outline specific fishery management actions that address climate resilience and/or vulnerable communities, which can be in place on or before 2027.

The process for applying for and securing IRA funds is still under development by NMFS. However, in anticipation of this funding opportunity, staff have begun investigating projects that may qualify for IRA funding. At this time, projects currently on the Council's 2024 agenda would appear to qualify. In addition, projects identified through the Council's climate initiatives and Fishery Ecosystem Planning efforts would also appear to qualify. Staff intend to continue examining candidate projects and the potential budget implications ahead of the November Council meeting.

Current list of projects identified as potential IRA candidates include: 1) Klamath and Sacramento Fall chinook Workgroups, 2) HMS Roadmap, 3) Gear marking, 4) Queets spring/summer chinook rebuilding, 5) Equity and Environmental Justice, 6) Climate Risk tables and 7) Fishery Ecosystem Plan (FEP) Initiatives. The BC made note of additional topics that would appear to qualify, including items identified through the climate and communities initiative, and other items under consideration by the Council, such as halibut allocation.

Committee-of-the-Whole

The Committee of the Whole is being planned to assist in the development of the next grant cycle. This approach is being taken for several reasons: the Council is currently on an unsustainable financial path; we have learned lessons over the last few years which may enable us to be more effective and efficient; our next grant cycle will need to be structured to take these factors into

account. The BC discussed how to structure the Committee-of-the-Whole meeting agenda, and asked that staff come back in November with added detail which could be considered by the BC and the Council.

Additional Matters:

The Committee discussed membership and confirmed Mr. Pete Hassemer will remain as Chair and elected Mr. Marc Gorelnik as Vice-Chair.

Budget Committee Recommendations:

Request Staff develop:

1. **A 2024 provisional budget based on the approach outlined in the Executive Director's report to the Committee. As part of developing this budget, continue to look for ways and places to trim unnecessary expenses.**
2. **Draft a preliminary list of topics for IRA funding to be considered by the BC and the Council in November. This list of topics should be consistent with the Year-at-a-Glance and provide details on the possible impacts to the 2024 budget.**
3. **A draft list of topics for a Committee-of-the-Whole meeting agenda, and an analysis that identifies the cost of funding the core functions and mandates of the Council.**

PFMC
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