

An Overview of Council Funding, Priorities, and Operations

Overview

This document provides a high-level overview of Pacific Fishery Management Council (Council) funding, budget setting, and expenditures. The purpose of this paper is to provide relatively high level context before diving more deeply into considerations of Council expenses, priorities, and operations—the focus of subsequent papers.

This Committee-of-the-Whole (COTW) meeting is being organized in a way that is intended to help the Council address our medium and long-term financial status, while ensuring the Council continues to be a high-functioning organization that makes sound decisions regarding fisheries management matters. Outcomes from this meeting are to be treated as recommendations for consideration by the full Council. These recommendations will assist the Council in 1) developing the Council’s next grant (which begins in 2025), 2) ensuring the Council’s medium and long-term financial sustainability, and 3) identifying priorities and operational practices that support effective Council decision making in the context of budget considerations.

This meeting is structured in a way that is outlined in the diagram below. This structure outlines the way in which Council fiscal resources are gained and spent, with spending being the combination of two major factors. These two major factors consist of Council priorities and Council operations, and there is an interplay between the two. The agenda for this meeting is built around this concept.

Generally speaking, the Council receives funding that is appropriated by Congress and supplemented by National Marine Fisheries Service (NMFS) for various purposes and special projects. This funding is then used to support Council activities. The way in which the Council spends these funds is based on a combination of Council priorities and Council operations. Priorities can be thought of as Council agenda items, while operations can be thought of as the staff, travel, meeting, and other forms of support that assist the Council with those priorities. From time to time funding will exceed expenses, which results in a “delayed spending account” balance. This balance is used to supplement funding in later years.

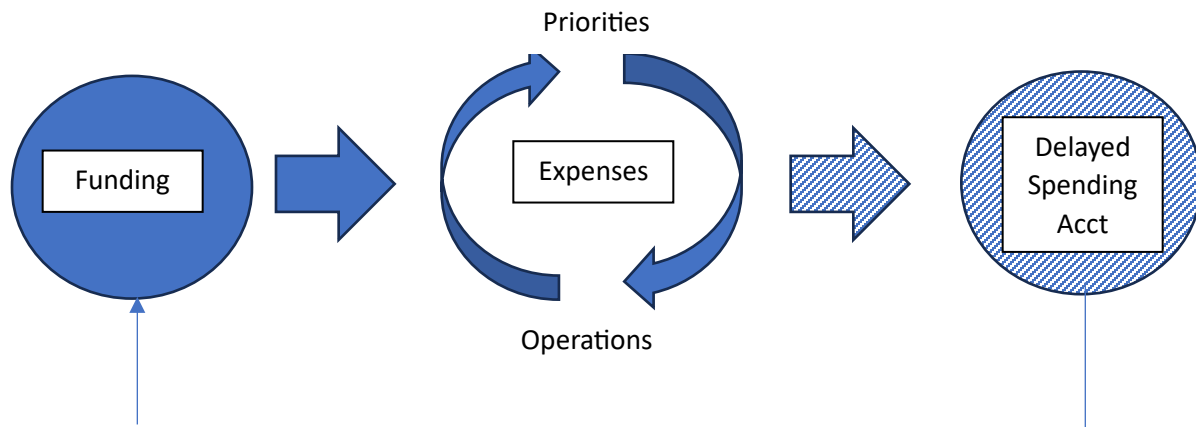


Figure 1 Generalized flow diagram of Council financial resources

In recent years, Council budgets have exceeded funding levels by a considerable margin. This has been made possible by the Council's delayed spending account. While the difference between funding and spending can be supported in the short term with this approach, the current mismatch between funding and spending levels will deplete the Council's delayed account balance within a handful of years. If inflationary pressures continue to outpace changes in funding, this delayed account balance may be depleted in as few as two years. Funding from the Inflation Reduction Act (IRA) may help this situation.

In order to better align Council income and spending, consideration of Council priorities and operations is warranted. The Pacific Council undertakes a wide array of important activities. These activities include: 1) fishery management matters occurring in the Exclusive Economic Zone (EEZ) off the West Coast, 2) engagement with U.S./Canada commissions that address shared fishery resources, 3) work with other international commissions that address high seas resources (tuna and billfish), and 4) working with and providing input to other agencies that impact habitat and that concern other uses of the marine environment (e.g. wind energy). This portfolio of activities is quite large and diverse compared with the activities of most other Regional Councils. The way in which Council operations are structured is done to support this broad and diverse scope of activities. Staffing, contracting, advisory bodies, meeting format, and more are all structured with these activities in mind. In turn, our operations and organizational structure result in a certain level of capacity that influences the priorities and activities that the Council engages in.

In the sections below additional detail is provided on each of the major topics outlined in the diagram above.

Council Funding

Base funding for the U.S. Regional Fishery Management Councils is appropriated by Congress each year. Funding is appropriated as a single sum for all eight Councils. This funding is directed to NOAA and then distributed to the eight Councils according to a long-standing allocation formula. From this formula, the North Pacific Council receives the largest share, followed by the Pacific Council. From time to time the Councils discuss whether it would be fruitful to reconsider this formula. Some Councils have expressed openness to the idea, while others have not. As with any allocation issue, re-opening this formula would likely be divisive and contentious and may in turn disrupt the constructive working relationship the Councils have with one another. As a result, this formula has not been seriously reconsidered for at least a decade and has not been changed since it was first implemented.

NOAA uses a grant process to transmit base funding to the Councils. This process is not a typical grant process since funding levels for the Councils are determined outside of grant making and review. However, this grant process is important for certain oversight reasons that NOAA has in ensuring Council activities are aligned with Congressional intent, and that use of financial resources is in support of those activities. In general, funding outlined in Council grants is reflective of Council operations while also envisioning the potential for growth or expansion. This results in budget levels outlined in the grant that are usually larger than annual Council budgets.

In addition to base funding, Councils often receive supplemental funding. This funding is distributed to Councils in a variety of ways, some of which require a competitive process while at other times funding is transmitted to one or more Councils from NMFS to support operations or specific agenda topics. The Pacific Council has been the recipient of several different forms of

supplemental funding over the years. Currently we receive funding for trawl rationalization program analysis (aka “trawl cost project”), funding to support rapporteur activities for international fishery bodies, and we appear poised to receive funding related to the Inflation Reduction Act. Baseline funding for Councils has tended to increase at a rate of between zero percent and three percent per year.

Council Expenses

Council expenses begin with the establishment of annual Council budgets. These budgets are assembled by staff and the Council’s Budget Committee in the late summer and fall of the prior Calendar Year (CY). The Council adopts a Provisional Budget in November which staff use to guide expenditures through the first several months of the following year. The budget is then fine-tuned and finalized at the June Council meeting (or sooner if conditions allow) and this finalized budget guides expenses through the remainder of the year.

The Council’s budget is created based on a highly detailed analysis produced by staff. This analysis makes various forecasts and informed assumptions regarding Council priorities and activities throughout the next year. The result of this detailed analysis is rolled up into broader cost categories (e.g., staff, travel, contracts, services and supplies, etc.) for consideration by the Budget Committee and the Council. Some of the underpinning details are considered by the Budget Committee prior to adopting a Provisional Budget but most are left to the judgment of Council staff.

After the Council has adopted a budget, staff treat the overall budget number as a cap on expenditures that should not be exceeded. Budget numbers by broad category are treated as a softer cap, with some latitude to move funds between categories if necessary. Council expenses at the end of a year are typically less than the Council’s budget and will often range from 96 percent to 98 percent of the final budget. From time-to-time total expenses will exceed the budget by a minor amount. During these times close communication with the Budget Committee will occur.

Key to the creation of Council budgets, and germane to this meeting, are the anticipated activities and priorities for a CY, alongside the type of support needed for those activities (referred to as “operations” in the above figure). When identifying Council priorities for the following year, the Executive Director (ED) will utilize a combination of the Year-at-a-Glance document as well as any other relevant information that indicates the Council’s intended priorities over the next year. A budget is then assembled to support these priorities in consultation with the Administrative Officer (AO) and the Deputy Director (DD). This effort is heavily influenced by discussions of operations (staffing, meetings, advisory body support, travel, etc.) that will be necessary to support the Council’s priorities. Implied in this stage of the budget development process is that the Council’s current way of doing things will be maintained, meaning the ED, DD, and AO assume operational practices that align with current expectations of Council meeting format, advisory body and committee activities, staffing, and so forth. If the staff see a need to deviate from standing practices in order to align financial resources with Council priorities, that need – and proposed remedy – are elevated to the Budget Committee. A recent example concerns the use of more remote meetings during a year.

Summary

This paper has provided a high-level summary of how Council revenues are acquired and how budgets are developed. Most of the Council’s revenue is determined by factors outside of the Council process (such as Congressional appropriations), while smaller supplemental sources of

revenue can be the product of the shared interests and priorities of the Council and NMFS. Budgets are based on Council priorities for the upcoming year and assumptions regarding the operations and activities necessary to support those priorities. Slight adjustments to operations may be made by – or proposed by – Council staff in order to align Council resources with priorities, however large scale changes to operations or to Council priorities should be considered by the Council.

PFMC
01/11/24