Agenda Item D.2
Supplemental Attachment 1
September 2026

Executive Director’s Report to the Budget Committee

September 2026

Outline of presentation

- Update on 2026 finances
- Background of PFMC budget:
  - Purpose of Council funding and basis for the annual budget
- Legal matters related to our budget:
  - separation of funding streams, the practical effect thereof, and what this means when it comes to the IRA grant
- 2026 budget
  - Status and outlook for the remainder of the year
  - Expected delayed spending account balance at end of year
- 2027 Pre-Provisional budget and forecasted IRA overage:
  - why we have an overage and how we can remedy the situation
- Where near-term flexibility exists with the Council's annual budget:
  - Most expenses are relatively fixed, barring a large scale change in our objectives, scope, or operations
  - Funding for contractors, workshops, or other special circumstances is where flexibility lives

Part 1

2026 Update

2026 Status

2024-2027 Special Funding Grant	
Funds remaining at end of CY 2025	$ 1,421,793
2026 Operational Budget	$ 1,032,440
Special Project funds expected at end of CY 2026	$ 389,353
2025-2029 Grant Funds	
Funds Remaining as of 12/31/2025	$ 2,526,201
Seafood Executive Order Funding	$ 366,875
2026 Funds received through 5/15/2026	$ 4,993,516
2026 Proposed Operational Budget	$ 4,734,382
Funds remaining at end of CY 2026	$ 3,152,210

2026 Budget and Expenditures thru July

Category	2026 Operational Budget	Expenditures Though 7/31/26	Balance Remaining	% of Budget Spent as of 7/31
Staff Wages & Benefits	2,497,616	$ 1,458,672	1,038,945	58%
Travel	980,322	$ 538,433	441,889	55%
Supplies & Services	726,396	$ 452,554	273,842	62%
Contractual				
Council Member Compensation	254,448	$ 105,592	148,856	41%
Advisory Body Stipends	74,499		74,499	0%
Liaison (State, PSMFC)	711,235	$ -	711,235	0%
Other (Salmon SAFE, GF Spex, etc.)	522,305	$ 233,228	289,077	45%
Total 2026	5,766,821	$ 2,788,478	$ 2,978,343	48%
Contract	Operational Budget**	Though 7/31/26	Balance Remaining	% of Budget Spent as of 7/31
California - Liaison & Planning[1]	192,951		$ 192,951	0%
Idaho - Liaison & Planning	55,822		$ 55,822	0%
Oregon - Liaison & Planning	210,068		$ 210,068	0%
Washington-Liaison & Planning[1]	193,800		$ 193,800	0%
PSMFC-Liaison & Planning	58,594		$ 58,594	0%
Subtotal	711,235	$ -	$ 711,235	0%
Other (Salmon SAFE, GF Spex, etc.)	522,305	$ 233,228	$ 289,077	45%
Grand Total	1,233,540	$ 233,228	$ 1,000,312	19%

Obligations

Category	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030	CY 2031	CY 2032	Total Obligated Funds
Staff Wages & Benefits	599,833							599,833
Travel		20,752						20,752
Supplies & Services	321,439	807,228	344,425	330,341	186,687	192,284	64,095	2,246,499
Contractual								-
Council Member Compensation								-
Advisory Body Stipends								-
Liaison (State, PSMFC)	711,235	-	-	-	-	-	-	711,235
Other Contractors	322,044	55,000	-	-	-	-	-	377,044
Total	1,954,551	882,980	344,425	330,341	186,687	192,284	64,095	3,955,363

Part 2

Council Budget Background

What Council Funding Is For

- Statutory basis: 16 U.S.C. § 1852(f) — Secretary funds Councils to perform statutory functions
- NOAA and Congress consistently frame Council funding as enabling Council operations and functions
- Special/non-base funding (e.g., IRA) sometimes serves a different purpose than the foundational operating appropriation

What is the basis for our current structure?

- Described in our ROA, SOPPs, and COPs
  - SOPP/COPs are legally tied to the cooperative agreement that funds the Council
- Some key factors
  - PFMC scope: we have 4 FMPs, 1 FEP, interests that span the west coast EEZ plus international waters and upland habitat
  - 5 Council meetings per year, with large logistical, IT, and administrative support needs
  - Staff Officers are lead drafters of required technical analyses
  - Advisory groups play a critical role in supporting Council decision-making
  - Large administrative record, the maintenance of which is Council responsibility

The next few slides will cover additional background on several cost categories

1. Staff expenses
2. Supplies and services
3. Travel
4. Stipends
5. Contracts

1. Staff expenses make up the largest cost component. What is the rationale for staff pay and benefits?

- All RFMCs track federal pay scales
    - PFMC pay tracks the federal GS Portland locality scale
- RFMC pay scales by category are as follows:
    - ED: GS15
    - DD GS 14/15
    - Program staff: GS 9 to 14
    - Admin/IT staff: GS 7 to 13
- PFMC offers competitive benefits on top of salary
    - Fairly liberal retirement savings contributions, AD&D, life insurance, health/vision/dental, long-term care, annual/sick leave accrual obligations, and other minor benefits
    - Major disadvantage: Other agencies are the PFMC's main competitors for staff. Other public agencies typically offer a defined-benefit pension; PFMC does not

2. Supplies and Services comprise a large cost category. These are largely inflexible.

- This category includes things such as:
  - Office rent, Annual audit, equipment, IT and phone, supplies, certain expenses associated with Council meetings, and more
- These expenses can be thought of as being the expenses necessary for supporting basic Council operations
- These expenses comprise over $700K of the Council’s annual budget
  - We have whittled these down somewhat over the last few years, but there’s no more to be done

3. Travel expenses are tied to our meeting format. This category was a major focus of COTW/efficiency discussions.

- Some people would argue that “Council meetings are what we do”. The question is how we do them.
- Travel expenses are tied to frequency of meetings, their duration, and their format (remote/in-person).
- This expense can vary a lot, However they have recently stabilized
  - We have largely settled into a new mode of operation since the COTW process, with some fine-tuning of our meeting format still occurring (see Agenda Item C.4)

4. Stipends and Compensation

- RFMCs are required to pay Non-government Council members compensation for attending Council meetings, committees, and associated travel
- SSC members and Advisory Subpanel members may receive stipends, depending upon funding
  - PFMC pays modest stipends. The levels have been tied to Congressional budget reports and prior NOAA funding requests, but we are not bound by them
- These expenses are relatively stable, but can vary depending on frequency and length of meetings

5. Contracts

- Contract expenses can vary substantially. Three major categories include:
  - State liaison contracts
  - Contracts in service of council logistics and systems
  - Contracts for analysis/program development
- State liaison contracts: about half of RFMCs have contracts for member states to support state agency staff contributions to Council analyses and processes
  - Level of PFMC funds going to this purpose have varied from $0 to $720K
- Service contracts: website, transcription, online storage, computer systems, etc
  - These expenses are relatively stable, so long as PFMC operations remain the same
- Program/analysis contracts: typically for consultants that help lead or supplement analytical or facilitation tasks that would otherwise be led by staff
  - These expenses vary widely and are dependent on Council programming and staffing levels

Some legal and practical issues: mixing of funding streams

Funding sources cannot be mixed:

- 31 U.S.C. § 1301(a): appropriations applied only to their designated purpose
- 2 CFR § 200.405(c): a cost allocable to one federal award may not be charged to another
- 2 CFR § 200.302(b)(3): recipients must track and document funding source by award

Practical budget consequences

- Applies to every cost type: staff salaries, travel, meeting expenses, member compensation, contractor fees
- IRA work layered onto a base-funded Council meeting still requires proportional allocation of our budget to the IRA grant
- Creates an administrative burden, and a "sunsetting" risk when IRA funding ends and expectation exists that staffing/operations/support remain the same

IRA funding in context

- Total IRA award:
  - $2.5M over 4 years vs $5–6M annual budget (~10–12% of the annual budget)
- These funds create obligations that are attached to a relatively modest funding stream
  - Administration and program delivery

Part 3

2027 Pre-Provisional Budget and IRA overage

CY 2027 PROVISIONAL BUDGET SUMMARY (COMBINED)

Category	2026 Operational Budget	2027 Initial Draft Provisional Budget	Increase (Decrease)
Staff Wages & Benefits	2,497,616	2,570,442	$ 72,826
Travel	977,322	909,280	$ (68,043)
Supplies & Services	726,396	744,068	$ 17,673
Contractual	-	-	$ -
Council Member Compensation	254,448	279,453	$ 25,005
Advisory Body Stipends	74,499	74,499	$ -
Liaison (State, PSMFC)	714,235	714,235	$ -
Other (Salmon SAFE, GF Spex, etc.)	522,305	347,350	$ (174,955)
Total	5,766,822	5,639,327	(127,494)

CY 2027 DRAFT PROVISIONAL BUDGET (PRIOR TO IRA GRANT ADJUSTMENTS)

Category	2026 Operational Budget	Provisional 2027 Budget from Grant Funds	Provisional 2027 Budget from IRA Funds	Provisional Budget	Increase (Decrease) from 2026 operational
Staff Wages & Benefits	2,497,616	2,240,480	329,962	2,570,442	72,826
Travel	980,322	791,120	121,159	912,279	(68,044)
Supplies & Services	726,396	645,568	98,500	744,068	17,673
Contractual				-	-
Council Member Compensation	254,448	239,234	40,219	279,453	25,005
Advisory Body Stipends	74,499	69,499	5,000	74,499	-
Liaison (State, PSMFC)	711,235	711,235	-	711,235	-
Other (Salmon SAFE, GF Spex, etc.)	522,305	206,081	141,269	347,350	(174,955)
Total	5,766,822	4,903,218	736,108	5,639,326	(127,495)

We anticipate having ~$400K left in IRA funding at the end of the year. This means we currently predict a budget overage of ~$336K unless some work previously envisioned as part of the IRA grant is re-purposed for base funding.

Part 4

Aligning IRA scope and capacity

Aligning IRA expenses with capacity

- Practically speaking, there is one way to align the scope of IRA work with fiscal and human capacity
    - This is detailed in Agenda Item C.3 Supp Attachment 5
    - The pathway is responsive to Council direction, but assigns tasks (workshops in particular) to different funds and timing.
        - Other expenses then follow, such as staffing, meeting expenses, CM comp, etc
    - The proposed approach contains a three-bucket framework
        - Complete under IRA in 2026/Complete under IRA NCE/Complete under base funding

The IRA re-direct plan

- Shift workshop *execution* to base funding (design/scoping remains IRA-funded): **$180,000**
  - Reduce corresponding IRA-allocated staff time, with significant reduction after June 2027: **$100,000 from IRA budget**
    - Staff time shifts over to base funding rather than being eliminated
  - Reduce corresponding IRA-attributed Council floor time, meeting expenses, and member stipends: **$65,000**
    - Some of these expenses shift over to base funding rather than being eliminated

- Questions for the BC to review: for those items that are deferred or shifted in time, should they be funded by IRA, the IRA NCE, or base funding

IRA No Cost Extension

- See BC attachment 6 – plans to pursue a NCE
- A NCE extends grant timeline but without additional funds
- This helps to accomplish IRA projects in that it extends the timeline
    - A time extension plus cost savings combined will fix our current condundrum

Part 5

Budget flexibility

Where does flexibility exist in the 2027 budget?

- The Pre-Provisional budget is largely fixed, absent large structural changes to the Council
  - Staff salaries, Council meeting expenses, member stipends/comp, state liaison participation, and most contracts are locked in absent structural change
  - Expenses and structure are tied to outcomes of the COTW process
- Flexibility exists in discretionary contracts/workshops/special circumstances
  - Recently this has been around $200k, or 3.5% of the annual budget

How to consider flexible contingencies

- Do we want/need a budget that is so tight that we need a special budget meeting if an unexpected need arises?
  - Probably not
- The PFMC is financially sound
  - Our delayed spending balance will be about $3million at the end of 2026
  - Our structural deficit has narrowed considerably since the COTW process
- I recommend we have a modest contingency for special purposes
  - This contingency could be used for contracts, workshops, or other similar purposes
  - The PFMC’s structural budget deficit is currently about $350K.

Effect of making staff recommendations

- If IRA budget overage is remedied according to staff recommendations:
  - Total provisional budget is near $5.4 million
- If we include a $100,000 contingency fund, this would increase the budget by a corresponding amount
- Both together leaves a pre-provisional budget of roughly $5.5 million, compared to:
  - 2026 budget of nearly $5.8 million
  - Total expected revenue of $5.3 million ($4.9 of base and $400K of IRA)

Questions for the Budget Committee

- The BC's role at this stage is to:
  - Provide oversight of our current finances and management thereof
  - Provide feedback regarding the continued development of the 2027 Provisional budget
    - Most expenses are relatively fixed
    - Do we want contingency funds for workshops, contract analysts, or similar?
  - Consider the projected IRA budget overage and how to reconcile work with resources
    - Shifting expenses across IRA 2026, IRA NCE, and base
    - NCE to extend timeline