Handling of the Annual Budget Carryover

PREPARED BY: IPHC SECRETARIAT (M. LARSEN & D. WILSON; 29 OCTOBER 2017)

PURPOSE

To advise of the methodology to be used for parsing the IPHC General and Supplemental Fund carryovers into two distinct accounts. These accounts will be used to independently track annual carryovers related to IPHC Core operations and to the fisheries-independent setline survey and other related setline survey program income and expenses.

BACKGROUND

The IPHC Financial Regulations (2014) provide a series of rules and guidelines for how to allocate IPHC income and expense, as well as the carryover of funds from year to year. The current regulations provide the following:

1) General Fund Carryover – Limited to 5% of the combined U.S.A. and Canada annual contribution.
2) Supplemental Fund Carryover – Financial rules provide for the remaining carryover to be attributed to the Supplemental fund.
3) Temporarily Restricted Funds – Income and expenses and the annual carryover of funds are applied directly to the restricted fund.

With this methodology the IPHC cannot differentiate the proportion of General and Supplemental carryover related to either Core IPHC income and expenses or the fisheries-independent setline survey program (listed as department 50 in IPHC financial documents).

DISCUSSION

The IPHC has expressed a stated goal for resource use (fish sales) of long-term revenue neutrality for the setline survey (FISS) data collections. However, current carryover procedures do not provide the IPHC with a clear method to determine either 1) a historical proportion of the General/Supplemental attributable to FIS, or 2) an ongoing annual calculation of a separate FISS fund carryover.

To achieve the stated goal of separating both the historical and annual carryover will require a definition of the annual income and expenses that are assignable to the FISS program.

ASSIGNABLE FISHERIES-INDEPENDENT SETLINE SURVEY PROGRAM INCOME AND EXPENSES

The following items are included for both parsing historical carryovers as well as future carryovers.

- Fisheries-Independent Setline Surveys (FISS, previously referred to as Standardized Stock Assessment Surveys) – both income and expenses
- NMFS Trawl Surveys – no income; only expenses
- FISS Expansions – both income and expenses
- Bering Sea NMFS Trawl Index Surveys – both income and expenses
- Bait Experiments – both income and expenses
- Water Column Profilers – currently not included – FY2017 expenses forward

- Future projects designated as FISS-related
- Expenses within Core Operations assignable to FISS program will be assigned as an offset at the end of the fiscal year.
    - 100% salaries and benefits for setline survey program staff (currently 4 staff)
    - Other expenses (not currently implemented)

The following items were contemplated but not included –

- Prorated salaries and benefits for data entry, programming, administration, age lab & other related personnel expenses
- Resources assigned to setline surveys (office space, supplies, shared services)

The choice was made to exclude these expense components based on the cost/benefit value. That is, the additional costs in terms of tracking and apportioning these components are of limited value compared to the value and efficacy of the hours assigned.

PARSING OF HISTORICAL CARRYOVERS

The current format for financial data provide the necessary level of detail to parse or separate the income and expense between Core and FISS-related programs. This format has been used since FY2002 and the decision was made to use a 10-year timeframe (FY2006-FY2015) as a proxy to proportion the carryover prior to FY2006.

Methodology

Table 1 shows IPHC income and expenses by the necessary categories. The following steps were used to calculate the values and proportions for the 10-year carryover.

1. Parse income and expense for Core Operations vs. FISS for FY2006-2015 (10 years)
2. Determine related Income, Expense and Carryover for each year
3. Use 10-year data as a proxy to prorate carryover prior to FY2006 (~$3.8M).
4. Assign UW lease Accounts Receivable and Agency Bycatch Fund Accounts Payable separately.
5. Split carryover into two funds and assign at fiscal year-end (carryover assigned to dept. 10 and 50).

Table 1 shows a 10-year time series of IPHC General and Supplemental income and expenses. It should be noted that the overall range of carryovers varies from -$1.25M to $1.31M but the overall change over the entire 10-year series is only $880K ($88K per year). The carryover which will be parsed between Core and fishery-independent setline survey components is the carryover at the end of FY2015 of $4,685,148.

Table 2 shows the details regarding how the prorating percentages and amounts are reached.

Table 2 Line 1 debits the outstanding agency bycatch funds against the survey program totals to account for the excess agency funds generated during this time period for a net FISS program value of $659,256.

Table 2 Line 2 calculates the FISS and Core proportions of the net aggregate carryover (41.7% and 58.3% respectively).

Table 2 Line 3 prorates the funds prior to FY2006 using the proportions from **Table 2.2**.

Table 2 Line 4 adds the prorated totals for FY2005 to FY2015. For the Core IPHC programs this process also accounts for funds transferred to restricted funds as well as the outstanding UW lease charges.

Table 2 Line 5 puts all the pieces together with Core, FISS and related accounts receivable and accounts payable.

PARSING OF FISCAL YEAR (FY2016)

Incorporating the above guidelines for FY2016-FY2018 results in anticipated separate carryovers for both FISS and Core IPHC activities. The shaded area in the lower right corner of Table 1 shows the anticipated carryovers for FY2016 and FY2017.

ISSUES AND CONCERNS

While this process can easily be incorporated into the IPHC financial framework, there are a number of issues and concerns that the Commissioners and advisors should take into consideration.

1) *Provides transparency regarding FISS/Core funds* – This process provides clarity and transparency as to the source and status of income as well as associated expenses.
2) *Assignment of FISS expense elements from General Fund* – At the end of each fiscal year the Secretariat will assign FISS related expenses that occur in the general operations fund to the Supplemental fund. The post-season assignment of expenses currently anticipates the assignment of four staff salaries and expenses to the supplemental fund, which will be designated as a 'offset' and charged against the Supplemental fund. The post-season assignment of costs should address the issues raised at the AM093 Meeting. The current proposal contemplates assigning the salaries and benefits of the Secretariat staff who operate the FISS program
3) *Easier to explain carryover levels to parties* – Allows the parties to identify current funding needs and status of current funding for both FISS and Core operations.
4) *Requires guidance for use of general or FISS carryover funds* – Current financial regulations currently will allow the current processes, but it will require updates the IPHC Financial Regulations (2014). These modified regulations will be presented at the AM094 meeting.

RECOMMENDATION/S

That the Commission:

1) **NOTE** paper IPHC-2017-IM093-16 which outlined the methodology for parsing General and Supplemental funds into Core and Setline survey carryovers.

2) **AGREE** that the IPHC Secretariat to revise the IPHC Financial Regulations (2014) to incorporate the new methodology, for the consideration of the Commission at its Annual Meeting in January 2018.

ADDITIONAL DOCUMENTATION / REFERENCES

Nil.

APPENDICES

Appendix I – Table 1 – FY2006-FY2015 IPHC Income and Expenses

Table 2 – Pro-rating Historical Carryover (1923-2005)

TABLE 1. FY2006-FY2015 IPHC Income and Expenses

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Income	$ 3,797,144	$ 4,080,659	$ 4,331,939	$ 3,079,196	$ 2,560,019	$ 2,916,811	$ 3,476,577	$ 4,607,792		
Opening Carryover	$ 3,797,144	$ 4,080,659	$ 4,331,939	$ 3,079,196	$ 2,560,019	$ 2,916,811	$ 3,476,577	$ 4,607,792	$ 4,140,886	$ 5,013,697
US Appropriations - Base	$ 2,948,000	$ 2,833,765	$ 2,787,239	$ 3,500,000	$ 2,850,000	$ 2,550,000	$ 3,570,204	$ 3,280,413	$ 3,107,124	$ 3,000,000
US Appropriations - Building Leases	$ -	$ -	$ -	$ -	$ -	$ -	$ 229,796	$ 218,787	$ 242,876	$ 200,000
US Appropriations - SSA				$ -	$ 400,000	$ 700,000	$ 700,000	$ 672,800	$ 1,000,000	$ 950,000
Total US Appropriations	*$ 2,948,000*	*$ 2,833,765*	*$ 2,787,239*	*$ 3,500,000*	*$ 3,250,000*	*$ 3,250,000*	*$ 4,500,000*	*$ 4,172,000*	*$ 4,350,000*	*$ 4,150,000*
CDN Appropriations - Base	$ 848,720	$ 848,720	$ 848,720	$ 848,720	$ 848,720	$ 848,720	$ 848,720	$ 848,720	$ 848,720	$ 848,720
CDN Appropriations - Pension	$ -	$ -	$ -	$ -	$ -	$ -	$ 73,800	$ 98,400	$ 98,400	$ 95,508
Total CDN Appropriations	*$ 848,720*	*$ 848,720*	*$ 848,720*	*$ 848,720*	*$ 848,720*	*$ 848,720*	*$ 922,520*	*$ 947,120*	*$ 947,120*	*$ 944,228*
Exp. Research Recovery	$ -	$ 570,100	$ 169,622	$ 413	$ -	$ -	$ -	$ -	$ -	$ -
Grants and Contracts	$ 149,014	$ 310,616	$ 378,743	$ 625,038	$ 428,341	$ 466,776	$ 556,023	$ 494,412	$ 530,178	$ 515,756
Other Income (Interest & Transfers)	$ 134,196	$ 198,899	$ 247,636	$ 9,271	$ 6,234	$ 4,201	$ 26,956	$ 5,589	$ 6,707	$ 57,129
Total Other Income	*$ 283,210*	*$ 1,079,615*	*$ 796,001*	*$ 634,722*	*$ 434,575*	*$ 470,977*	*$ 582,979*	*$ 500,001*	*$ 536,885*	*$ 572,885*
Total General Income	*$ 4,079,930*	*$ 4,762,100*	*$ 4,431,960*	*$ 4,983,442*	*$ 4,133,295*	*$ 3,869,697*	*$ 5,075,703*	*$ 4,727,534*	*$ 4,591,129*	*$ 4,517,113*
SSA Operations Recovery	$ 3,664,355	$ 3,295,802	$ 3,053,361	$ 2,744,869	$ 4,066,810	$ 4,531,744	$ 4,484,543	$ 3,207,647	$ 5,148,904	$ 4,904,203
Bycatch Sales	$ 89,198	$ 87,858	$ 117,464	$ 115,018	$ 116,358	$ 93,471	$ 77,740	$ 68,796	$ 86,441	$ 56,377
Grants - SSA Related	$ -	$ 40,920	$ 14,968	$ 36,201	$ 41,030	$ 9,624	$ 37,012	$ -	$ 10,822	$ 34,161
Total SSA Income	*$ 3,753,553*	*$ 3,424,580*	*$ 3,185,793*	*$ 2,896,088*	*$ 4,624,198*	*$ 5,334,839*	*$ 5,299,295*	*$ 3,949,243*	*$ 6,246,167*	*$ 5,944,741*
Total Income	$ 7,833,483	$ 8,186,680	$ 7,617,753	$ 7,879,530	$ 8,757,493	$ 9,204,536	$ 10,604,794	$ 8,895,564	$11,080,172	$10,661,854
Total Income & Carryover	$11,630,627	$ 12,267,339	$ 11,949,692	$ 10,958,726	$11,317,512	$12,121,347	$ 14,081,371	$ 13,503,356	$15,221,058	$15,675,551
Expenses										
Administration	$ 702,348	$ 874,829	$ 1,267,656	$ 851,221	$ 1,065,595	$ 983,380	$ 1,288,311	$ 1,281,463	$ 1,343,732	$ 1,434,856
Scientific	$ 1,729,813	$ 1,972,025	$ 1,904,415	$ 2,067,145	$ 2,096,955	$ 2,035,201	$ 2,064,879	$ 2,284,326	$ 2,427,596	$ 2,339,978
Catch Effort	$ 490,824	$ 477,365	$ 472,044	$ 465,409	$ 537,115	$ 574,457	$ 556,261	$ 524,449	$ 598,331	$ 566,353
Research Programs	$ 627,189	$ 807,136	$ 1,123,720	$ 647,334	$ 286,066	$ 217,954	$ 1,019,606	$ 352,551	$ 128,032	$ 192,763
PIT Tag Programs	$ 398,060	$ 383,322	$ 410,890	$ 398,794	$ 92,372	$ -	$ -	$ -	$ -	$ -
Total General Expenses	*$ 3,948,234*	*$ 4,514,677*	*$ 5,178,725*	*$ 4,429,903*	*$ 4,078,103*	*$ 3,810,992*	*$ 4,929,057*	*$ 4,442,789*	*$ 4,497,691*	*$ 4,533,950*
Survey Program	$ 3,366,637	$ 3,142,218	$ 3,402,133	$ 3,671,871	$ 4,000,326	$ 4,506,241	$ 3,929,892	$ 4,284,373	$ 5,046,284	$ 5,167,148
Survey Program Office Personnel	$ 235,097	$ 278,505	$ 289,638	$ 296,933	$ 322,272	$ 327,537	$ 384,834	$ 399,321	$ 420,510	$ 414,240
Total Survey Expenses	*$ 3,601,734*	*$ 3,420,723*	*$ 3,691,771*	*$ 3,968,804*	*$ 4,322,598*	*$ 4,833,778*	*$ 4,314,726*	*$ 4,683,694*	*$ 5,466,794*	*$ 5,581,388*
Building Lease Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ 229,796	$ 235,987	$ 242,876	$ 250,065
Restricted Funds Transfers	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 625,000
Total Expenses	$ 7,549,968	$ 7,935,400	$ 8,870,496	$ 8,398,707	$ 8,400,701	$ 8,644,770	$ 9,473,579	$ 9,362,470	$10,207,361	$10,990,403
Net Fiscal Year Total	$ 283,515	$ 251,280	$ (1,252,743)	$ (519,177)	$ 356,792	$ 559,766	$ 1,131,215	$ (466,906)	$ 872,811	$ (328,549)

Fiscal Year Proportion

Proportion of Net Fiscal Year										
Core Functions Net	$ 131,696	$ 247,423	$ (746,765)	$ 553,539	$ 55,192	$ 58,705	$ 146,646	$ 284,745	$ 93,438	$ (16,837)
SSA Net	$ 151,819	$ 3,857	$ (505,978)	$ (1,072,716)	$ 301,600	$ 501,061	$ 984,569	$ (734,451)	$ 779,373	$ 363,353
Transfer to Restricted Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (625,000)
Bycatch Funds									$ -	$ -
UW Lease Obligations Net	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (17,200)	$ -	$ (50,065)
Fiscal Year-end Carryover	$ 283,515	$ 251,280	$ (1,252,743)	$ (519,177)	$ 356,792	$ 559,766	$ 1,131,215	$ (466,906)	$ 872,811	$ (328,549)

Fiscal Year Carryover

Core Functions Carryover										$ 2,509,101
SSA Carryover										$ 2,401,327
Bycatch Funds										$ (158,015)
UW Lease										$ (67,265)
Fiscal Year-end Carryover	$ 4,080,659	$ 4,331,939	$ 3,079,196	$ 2,560,019	$ 2,916,811	$ 3,476,577	$ 4,607,792	$ 4,140,886	$ 5,013,697	$ 4,685,148

TABLE 2. Pro-rating Historical Carryover (1923-2005)

Inclusion of Outstanding Bycatch Funds

Survey Program Total	$	772,487	*(from I&E Summary)*
Bycatch Funds	$	113,241	*(difference between FY2015 and FY2005)*
Net Survey Program	$	659,246	

10-Year Aggregate Net Carryover (FY2006-2015)

Survey Program	$	659,246	41.7%	*(from bycatch funds calculation)*
Core IPHC Programs	$	921,023	58.3%	*(crediting bycatch funds for carryover)*

FY2006 Opening Carryover	$	3,797,144	
Core IPHC Programs	$	2,213,078	*(using above percentages)*
Survey Program	$	1,584,066	*(using above percentages)*

Year-end Carryover	FY2015		
Core IPHC Programs	$	2,441,836	*(all other carryovers inc. transfer to restricted accounts and UW)*
Survey Program	$	2,243,312	*(net survey program total plus prorated prior carryover)*
Total Carryover	$	4,685,148	*(audited carryover total for end of FY2015)*

Actual FY2015 Carryover	FY2015		
Core IPHC Programs	$	2,509,101	Addition of the UW Lease
Survey Program	$	2,401,363	Addition of the Bycatch Funds
Bycatch Funds	$	(158,051)	
UW Lease	$	(67,265)	
Total Carryover	$	4,685,148	