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DEPARTMENT OF COMMERCE
FY '78 DIRECTOR'S REVIEW

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FY 1978 BUDGET
DEPARTMENT OF COMMERCE

OVERVIEW

Total Request

The initial Departmental request for FY 1978 was generally constrained. It was within our revised ceiling levels of \$1.8B (B.A.) and \$2.0B (Outlays), except for 3 items totaling \$102.5M (B.A.).

- . \$67M in construction subsidies for two liquified natural gas (LNG) ships;
- . \$20M for EDA Section 304 state economic development grants; and
- . \$15.5M for consolidation of NOAA facilities in Seattle, Washington.

Commerce subsequently requested an additional \$238.1M (B.A.) in FY 1978 for implementing the recently enacted Coastal Zone Energy Impact legislation. This was not factored into our ceiling.

Summary of DOC Request ^{1/}

	<u>FY 1976 Actual</u>	<u>FY 1977 Enacted</u>	<u>FY 1978 Ceiling</u>	<u>FY 1978 Request</u>	<u>Change 77/78</u>
P.L.	2,474	2,360	n/a	2,573	+ 9%
B.A.	2,255	1,839	1,837	2,178	+18%
O.	2,021	2,202	2,018	2,172	+ 1%

Local Public Works Program

P.L.	-	2,000	2,000	-
B.A.	-	2,000	2,000	-
O.		800	800	800

1/ In order to maintain a degree of comparability with prior year funding levels, the impact of the Local Public Works Program will be shown separately in all tables.



1977 Supplementals

The Department's FY 1978 budget request also includes 4 proposed FY 1977 supplementals totaling \$183.1M. The major request is attributable to carrying out the first year of the coastal zone energy impact program. The supplementals are as follows:

- . \$177,950K for expanded coastal zone management activities and for the new coastal energy impact program;
- . \$5,000K for the purchase and remodeling of a Fire Academy facility;
- . \$659K to improve the quality of social indicators and continue the publication of the STATUS chartbook; and
- . \$247K to improve the analysis of social indicators in the GNP accounts.

The latter two items are of personnel interest to the Vice President and Secretary Richardson.

1978 Budget Increases

In FY 1978 Commerce is assuming, as they did last year, a strong resurgence in demand for MARAD ship construction subsidies, returning the program to the pre-1975 levels. The Department is also again clearly giving high priority to expansion of NOAA programs and general science and technology programs, relative to other program areas. The program increases proposed within our ceiling for FY 1978 total \$199.8M.

- . 42% of the increase is for MARAD programs (\$84,845K), primarily for construction subsidies for new ships.
- . 33% of the increase is for NOAA programs (\$65,070K), for a variety of purposes including: implementing extended fisheries jurisdiction; increasing climate research; resuming project Stormfury to test possible modification of hurricanes; and expanding general ocean programs.
- . 18% of the increase is for the Census Bureau (\$65,070K), to carry out mandated periodic censuses, primarily the upcoming 1980 Decennial Census, and to improve measures of changes in manufacturers' inventories, as suggested by the EPB.



- . The remaining 7% of the increase (\$1,000K) is for a number of smaller agencies and bureaus (e.g., NBS, Patent, USTS, DIBA, and the Fire Administration) for carrying out new responsibilities under the Patent Cooperation Treaty and under the Energy Policy and Conservation Act; and for moving ahead with a national fire prevention program and increasing emphasis on nuclear safeguards.

It should be noted that the Department chose to include within our ceiling the \$65M of NOAA increases rather than \$67M in construction subsidy costs for two expected LNG ships. If the two ships were included with the rest of the requested construction differential subsidy (CDS) program all of the NOAA items would be over our ceiling. The NOAA increases are of particular concern since in many cases they set the foundation for new initiatives and programs which will establish a higher base and add to out year costs.

Program Decreases

In order to accommodate the above proposed FY 1978 program increases within our ceiling, the Department has identified \$247.5M in base program reductions. The proposed reductions include:

- . \$152,845K in EDA and RAPC programs, based on lower estimates for public works, economic adjustment assistance, and business loans;
- . \$48,900K in Maritime programs, based on lower estimates of ship operating differential subsidies (ODS) due to a reduced forecast for Soviet grain purchases;
- . \$23,272K in NOAA programs, based largely on delaying the scheduled launch of new weather satellites;
- . \$22,506K in other program areas including: closing the Sydney trade center (\$425K); increasing the reliance on fees to recover patent processing costs (\$6,649K); reducing the level of funding for periodic censuses (\$8,581K); changing the frequency of the registration and voting survey (\$1,652K); and reducing miscellaneous programs in NBS (\$3,101K).

The proposed program reductions have been characterized by the Department as a good faith effort to hold to the President's ceiling. There are, however, two major problems with many of the proposals. First, many of them will be difficult if not impossible to sustain the Congressional appropriations process. Second, some merely defer program costs into FY 1979, further complicating our ability to control costs and achieve a balanced budget in that year.

- . Most, if not all, of the \$152.8M in EDA and RAPC reductions have a very low probability of being sustained on the Hill.
- . The NOAA weather satellite launch deferrals only push costs into FY 1979, and could well be required earlier if the current satellites now in place fail.
- . Reducing the registration and voting survey from every two years to once every four years will require a legislative change which is probably not unlikely given Congressional support for this program when it was passed in 1975.

We estimate that approximately 70% of the Department's proposed reductions are unlikely to achieve any "real" savings.

Personnel

The Departmental budget request includes a proposed September 30, 1978, FTP employment estimate of 30,863, which is 2,209 over our current ceiling. Included in the request are 504 FTP positions which are tied to the requested FY 1977 supplementals and FY 1978 program increases and 1,705 FTP positions which are presented as "shortages in hiring authority." The Department is asking for an immediate adjustment in its current FY 1977 ceiling to accommodate the latter positions.

The Department argues that past employment ceilings--which it has met--were unrealistic and forced the use of temporary hiring authority in agencies such as NOAA, EDA, and the Patent Office where it was not appropriate. The Department also argues that the current situation is presenting major internal management problems.

The Division believes that there is some validity to the Department's claims. In recent years employment ceilings have been constrained, while the Congress has added significantly to the Department's responsibilities. Furthermore, funding increases in other agencies have exerted considerable pressures on the Commerce ceiling. Many of the Commerce programs particularly those NOAA, NBS, and Census are used actively by other Federal agencies on a reimbursable basis. Close to 20% of Commerce's overall employment is involved in reimbursable work. We believe that serious consideration must be given to this problem.



Division Review

It is difficult to assess trade-offs among Commerce agencies and programs given their diverse nature and objectives. Any potential, however, for major savings must be focused on the 4 largest DOC agencies--MARAD, NOAA, EDA, and Census. In FY 1977 these four account for 86% of the Department's estimated outlays and 69% of its total employment.

- . 31% (\$692M) of DOC outlays are attributable to the Maritime programs, primarily the CDS and ODS subsidy programs.
- . 26% (\$569M) of the outlays result from the EDA and the RAPC programs, primarily in the form of public works grants to state and local governments.
- . 25% (\$556M) are the result of NOAA program activities, principally due to the large operational national weather service program.
- . 4% (\$85M) of the outlays are for conducting mandatory censuses. These amounts increase substantially in years leading up to the taking of the decennial census.

The Division's review has focused its attention on the merits of the individual programs and proposals presented by the Department.

- . Do they represent a legitimate area of involvement for the Federal Government, and in particular do they represent a proper function for the Department of Commerce? NOAA efforts in the marine area raise a number of questions about "role" and level of involvement. (see issue #4)
- . What are the outyear costs of programs and new proposals? NOAA's underwater lab program and marine initiatives have costly outyear implications. (see issue #2)
- . Are programs run efficiently and are they effective? A base review of the DIBA programs and the DIBA field office structure raises a number of serious questions in this regard. (see issue #6).



- . Are program assumptions and objectives clear? The new coastal zone legislation has established an expensive program of categorical grants and loan guarantees to overcome objections to energy development. It is not clear, however, that the program is being focused on any goal other than getting funds out to states and local areas as quickly as possible. (see issue #2)
- . Do grant programs maximize flexibility and state and local control? In the EDA area there are opportunities to begin to move away from specific categorical programs. (see issue #5).
- . What opportunities exists for reducing the cost of large Federal "service" programs? NOAA weather programs continue to cost more to support new generations of technical sophistication. (see issue #3)
- . Can we hold down the cost to the taxpayer of large subsidy programs and what, if any, benefits accrue to the public from these programs? The MARAD construction (CDS) and operating subsidy programs (ODS) are expensive to maintain. The ODS program potentially locks the taxpayer into ongoing future costs. (see issue #6)

Recommendations

While the Department has attempted to construct an FY 1978 budget close to our planning target and has for the first time proposed major base program reductions, the Division cannot accept the request as presented. First, as noted above, many of the proposed program decreases are "unreal" and secondly many of the proposed increases are unjustifiable and present real problems in controlling outyear costs.

The Division's recommendation for a FY 1978 funding level of \$1,696M (22% below the Department's request and 8% below our planning ceiling) will no doubt raise areas of serious disagreement with the Department. The Division believes that the most likely funding level for Commerce programs in FY 1978 could be \$2,513M--\$817M above our recommendation--unless actions are taken to constrain the MARAD, NOAA, and EDA programs.



Summary of Division Recommendation 1/

	FY 1977			FY 1978	
	<u>Request</u>	<u>Recom.</u>	<u>Ceiling</u>	<u>Request</u>	<u>Recom.</u>
P.L.	2,558	2,433	N/A	2,573	2,226
B.A.	2,054	1,986	1,837	2,178	1,696
O.	2,238	2,198	2,018	2,172	3,002

1/ Excludes \$2B Public Works Program.

The major features of the recommendation are as follows:

- . MARAD - No new funding for CDS contracts and only limited funding for existing ODS contracts pending completion of an OMB review of the need for continued Federal subsidization of the maritime industry. (see issue #1) These actions reduce the Department's request by \$218M in FY 1978.
- . NOAA - Reductions in the funding levels of the new coastal zone management and energy impact assistance programs in both FY 1977 and FY 1978 to limit the Federal role to financing and essential activities and facilities and to provide an incentive for greater state and local involvement. (see issue #2a and 2b) These actions will result in savings of \$65M in FY 1977 and \$96M in FY 1978.
- . EDA - Substantial reductions in regular public works funding because of the enactment of the #2B Local Public Works "Jobs" legislation. (see issue #5) This action will reduce the need for new public works funding \$102M below the Department's request for FY 1978.
- . DIBA - Major reductions in funding and a proposed reorganization of the DIBA field offices to clarify their role and eliminate unnecessary Federal activities. (see issue #6) The estimated savings from this recommendations is \$7M in FY 1978.

In other Commerce program areas the recommended levels of funding have been constrained and provide only for essential increases. The Division's recommendations provide for an overall reduction in these areas of \$58M below the Commerce request; \$14M below the request for NOAA weather programs, \$12M below the request for NOAA marine programs, and \$32M below the request in other NOAA and Departmental programs.



The Division's recommendation on personnel provides for increase in the Department's FTP ceiling of 790 in FY 1977 base on our analysis of the Department's personnel situation. The increase is largely to provide for the conversion of currently funded full time personnel which are in temporary positions and in contravention of CSC guidelines. This recommendation is 915 below the Department's requested FTP level.

In FY 1978 the Division is recommending a net reduction of 217 in FTP positions based on the program recommendations. The largest decreases are attributable to the restructuring of the DIBA field offices and recommended program reductions in EDA. The net effect of the Division's personnel recommendations is to increase Commerce FTP employment in FY 1978 by 573 over our current FY 1977 ceiling.

Improving Program Management

In the past, DOC has operated an amalgam of bureaus and agencies with little departmental level management policy or guidance. Under the current Assistant Secretary for Administration and Assistant Secretary for Policy, that situation has begun to change for the better. In the areas identified in the PMI we are optimistically expecting the Department to achieve some major improvements. Some efforts were already underway and PMI has given them added support.

One PMI area which is receiving major attention is personnel management. The Department's plans in this area have been rated as one of the best developed.

Program Evaluations

DOC has established a policy and evaluation unit assigned with the responsibility for carrying out departmental program impact and efficiency evaluations. Since this is a new effort it is hard to judge how effective it will be. The Department has selected seventeen studies covering major operational programs. Most of these studies are scheduled for completion by the end of the year. Initially, the topics chosen would seem to be appropriate and hold out the promise for substantial improvements and savings.



The Division does believe that the Department could do more in the area of broad program policy evaluations. The evaluations currently underway tend to be, in many cases, to narrowly focused. While they may result in improved program efficiency and savings they do not question basic program objectives.

The Division is recommending as a part of the FY 1978 budget an increase of \$350K and 10 positions to augment the evaluation staff of the Assistant Secretary for Administration. We are hoping to call on these resources for upcoming reviews of Federal maritime programs and NOAA weather programs.



1978 Budget
Department of Commerce

Summary Data

	(In millions)		Employment, end-of-year	
	Budget Authority	Outlays	Full-time Permanent	Total
1976 actual.....	2,255	2,021	28,869	37,021
1977 Budget, January 76 estimate.....	1,659	2,162	28,654	36,149
enacted.....	3,839	3,002	29,130	36,559
supplementals recommended.....	118	55	31	31
agency request.....	4,054	3,038	30,359	38,104
OMB recommendation.....	3,986	2,998	29,444	36,981
OMB employment ceiling.....	xxx	xxx	28,654	36,049
1978 planning target.....	1,837	2,018	xxx	xxx
agency request.....	2,178	2,972	30,863	39,897
OMB recommendation.....	1,696	2,802	29,227	38,008
1979 OMB estimate.....	1,862	2,816	29,227	38,008

Summary of Issues

	1978				1979	
	Agency req.		OMB recom.		OMB est.	
	BA	0	BA	0	BA	0
Issues:						
#1. Maritime Subsidies	465	600	249	525	212	386
#2a. Coastal Zone Management	49	40	21	20	29	27
b. Coastal Energy Impact Program.....	211	135	143	80	161	120
#3. NOAA Weather Programs.....	366	336	352	340	352	350
#4. NOAA Marine Programs.....	151	132	139	143	139	140
#5. Economic Development Assistance.....	273	306	171	287	234	279
#6. DIBA Field Offices.....	10	10	3	3	3	3



1978 Budget
Department of Commerce
Supplementals and Legislative Program Items

	(\$ in millions)		Employment, end of period	
	<u>Budget authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
National Oceanic and Atmospheric Administration				
1977 supplemental requested:				
Coastal Zone Energy Impact Grants				
agency request.....	177	89	63	63
OMB recommendation.....	112	51	20	20

Recommendation provides for first year funding for coastal zone energy impact assistance loans.
The lower amount recommended is based on OMB analysis of demand. (See issue paper # 2).

National Fire Prevention and Control
Administration

1977 supplemental requested:

Purchase of Fire Academy				
agency request.....	5.0	3.0	0	0
OMB recommendation.....	5.0	3.0	0	0

Recommendation provides for the purchase of the Marjorie Webster college site in northwest Washington, D.C. to house the National Fire Academy.

Bureau of Economic Analysis

1977 supplemental requested:

Social Data Analysis				
agency request.....	.3	.3	0	0
OMB recommendation.....	.3	.3	0	0

Recommendation provides for the development of a conceptual framework and methodology for adding quality of life measures to the national accounts and GNP.

Continued

Exhibit 459B



	(\$ in millions)		Employment, end of period	
	<u>Budget authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
Bureau of the Census				
1977 supplemental requested:				
Social Data Improvement				
agency request.....	.7	.7	11	11
OMB recommendation.....	.7	.7	11	11

Recommendation provides for the gathering of social indicator data related to the quality of life and for the continued publication of the monthly "STATUS" chartbook.

Legislative program item:				
Registration and Voting Survey				
agency request.....	-2.7	-2.7	0	0
OMB recommendation.....	-2.7	-2.7	0	0

Proposed legislation would reduce the frequency of the registration and voting survey from once every two years to once every four years.



Department of Commerce
FY 1978 Budget
Distribution of Budget Authority
(In millions of dollars)

	1976	1977				1978			1979
	Actual	Pres. Budget	Cong. Approp.	Agency Req.	OMB Recom.	Agency Total	Request In Ceiling	OMB Recom.	OMB est.
General Administration	14	17	17	21	21	22	22	21	21
Bureau of Census.....	75	92	91	91	91	119	119	113	233
Bureau of Economic Analysis	12	13	12	13	13	13	13	13	13
Economic Development Administration ...	759	249	387	387	387	273	253	171	234
Regional Action Planning Commissions ..	64	42	64	64	64	44	44	40	40
Domestic & International Business									
Administration	63	63	63	58	58	58	58	47	47
Minority Business Enterprise	50	50	50	50	50	50	50	50	50
United States Travel Service	13	12	14	13	13	14	14	14	14
National Oceanic and Atmospheric									
Administration	534	581	593	770	703	888	634	745	771
National Fire Prevention and									
Control Administration	9	10	12	17	17	16	16	14	14
Patent and Trademark Office	85	86	86	86	86	80	80	86	86
Science and Technology:									
National Bureau of Standards	62	66	66	66	66	72	72	67	67
National Technical Information									
Service	2	1	1	1	1	1	1	1	1
Office of Telecommunications	1	1	1	1	1	2	2	7	7
Maritime Administration	531	406	405	433	433	536	469	318	280
Departmental Contingency	0	0	0	0	0	5	5	5	-
TOTAL, Department of Commerce	2,273	1,690	1,862	2,072	2,004	2,193	1,852	1,712	1,878
Local Public Works Program.....	0	0	2,000	2,000	2,000	0	0	0	0
Trust Funds	97	53	66	72	72	62	62	62	62
Proprietary Receipts	-115	-77	-89	-90	-90	-78	-78	-78	-78
NET, Department of Commerce ^{1/}	2,255	1,667	3,839	4,054	3,986	2,178	1,836	1,696	1,862
OMB planning ceiling.....							(1,837)		

^{1/} Numbers may not add due to rounding.



Department of Commerce
FY 1978 Budget
Distribution of Program Level
(In millions of dollars)

	1976	1977				1978		
	Actual	Pres. Budget	Cong. Approp.	Agency Req.	OMB Recom.	Agency Request Total	In Ceiling	OMB Recom.
General Administration.....	45	49	48	57	57	57	57	57
Bureau of Census.....	134	155	154	154	154	177	177	171
Bureau of Economic Analysis.....	14	15	15	15	15	16	16	16
Economic Development Administration...	846	275	413	420	420	303	283	264
Regional Action Planning Commissions..	61	42	64	67	67	44	44	40
Domestic and International Business Administration.....	66	64	64	59	59	58	58	47
Minority Business Enterprise.....	50	50	50	58	58	53	53	53
United States Travel Service.....	12	12	14	13	13	14	14	14
National Oceanic and Atmospheric Administration.....	596	648	664	832	766	962	708	819
National Fire Prevention and Control Administration.....	9	10	12	17	17	16	16	14
Patent and Trademark Office.....	85	87	86	87	87	87	87	87
Science and Technology:								
National Bureau of Standards.....	115	119	119	121	121	122	122	117
National Technical Information Service.....	2	4	4	2	2	2	2	2
Office of Telecommunications.....	14	15	15	15	15	16	16	16
Maritime Administration.....	438	665	664	659	600	655	588	520
Departmental Contingency.....	0	0	0	0	0	5	5	5
TOTAL, Department of Commerce.....	2,485	2,208	2,384	2,576	2,451	2,589	2,246	2,242
Local Public Works Program.....	0	0	2,000	2,000	2,000	0	0	0
Trust Funds.....	104	53	65	72	72	62	62	62
Proprietary Receipts.....	-115	-77	-89	-90	-90	-78	-78	-78
NET, Department of Commerce ^{1/}	2,474	2,184	4,360	4,558	4,433	2,573	2,230	2,226

^{1/} Numbers may not add due to rounding.



Department of Commerce
FY 1978 Budget
Distribution of Outlays
(In millions of dollars)

	1976	1977				1978			1979
	Actual	Pres. Budget	Cong. Approp.	Agency Req.	OMB Recom.	Agency Request Total	Request In Ceiling	OMB Recom.	OMB est.
General Administration	14	17	17	23	23	23	23	22	21
Bureau of Census.....	70	86	85	92	92	113	113	107	231
Bureau of Economic Analysis	10	12	12	12	12	13	13	13	13
Economic Development Administration ...	537	492	510	420	420	286	286	263	254
Regional Action Planning Commissions ..	63	39	59	59	59	52	52	59	52
Domestic & International Business Administration	64	59	59	58	58	58	58	47	47
Minority Business Enterprise	56	55	55	55	55	55	55	55	53
United States Travel Service	11	12	13	13	13	14	14	14	14
National Oceanic and Atmospheric Administration	517	542	556	667	631	734	580	672	727
National Fire Prevention and Control Administration	7	8	10	14	11	21	21	19	14
Patent and Trademark Office	84	86	86	86	86	81	81	87	87
Science and Technology:									
National Bureau of Standards	71	71	71	71	71	72	72	67	67
National Technical Information Service	1	1	1	1	1	1	1	1	1
Office of Telecommunications	1	1	1	2	2	2	2	7	7
Maritime Administration	548	708	692	672	672	652	649	575	
Departmental Contingency	0	0	0	0	0	0	0	0	
TOTAL, Department of Commerce	2,053	2,190	2,227	2,246	2,206	2,178	2,019	2,008	2,022
Local Public Works.....	0	0	800	800	800	800	0	800	800
Trust Funds	83	56	63	82	82	72	72	72	72
Proprietary Receipts	-115	-77	-89	-90	-90	-78	-78	-78	-78
NET, Department of Commerce ^{1/}	2,021	2,170	3,002	3,038	2,998	2,972	2,014	2,802	2,816
OMB Planning Ceiling.....							(2,018)		

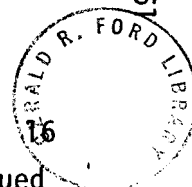
^{1/} Numbers may not add due to rounding



1978 Budget
Department of Commerce
Long range Estimates
(OMB estimate in millions of dollars)

		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
General Administration	B/A	21	21	21	21	21
	0	22	21	21	21	21
Bureau of Census	B/A	113	233	304	145	106
	0	107	231	299	153	109
Bureau of Economic Analysis	B/A	13	13	13	13	13
	0	13	13	13	13	13
Economic Development Administration	B/A	171	234	234	234	234
	0	263	254	232	225	224
Regional Action Planning Commission	B/A	40	40	40	40	40
	0	59	52	46	40	40
Domestic and International Business Admin.	B/A	47	47	47	47	47
	0	47	47	47	47	47
Minority Business Enterprise	B/A	50	50	50	50	50
	0	55	53	50	50	50
United States Travel Service	B/A	14	14	14	14	14
	0	14	14	14	14	14
National Oceanic and Atmospheric Admin.	B/A	745	771	838	750	592
	0	672	727	802	801	596
Fire Administration	B/A	14	14	14	14	14
	0	19	14	14	14	14
Patent and Trademark Office	B/A	86	86	86	86	86
	0	87	87	86	86	86
Science and Technology:						
National Bureau of Standards	B/A	67	67	67	67	67
	0	67	67	67	67	67
National Technical Information	B/A	1	1	1	1	1
	0	1	1	1	1	1
Office of Telecommunications	B/A	7	7	7	7	7
	0	7	7	7	7	7
Maritime Administration	B/A	318	280	250	241	241
	0	575	434	346	263	226
Total, Department of Commerce	B/A	1,707	1,878	1,986	1,730	1,533
	0	2,008	2,022	2,045	1,802	1,515

Exhibit 461



Continued

1978 Budget
Department of Commerce
Long-range Estimates
(OMB estimate in millions of dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
--	-------------	-------------	-------------	-------------	-------------

Summary Comparison of Outlay Projections

1977 Budget					
January 1976 estimates.. .. .	1,994	2,008	2,189	1,994	1,994
1977 Budget, Mid-Session					
Review estimates.....	2,021	2,038	2,220	2,024	2,024



Department of Commerce
1978 Budget

Authorizing Legislation Required for 1979
(Under sec. 607(f), P.L. 93-344)

(this legislation must be transmitted to Congress
no later than May 15, 1977)

(\$ in millions)

		1979		1980		1981		1982	
		<u>Req.</u>	<u>Recom.</u>	<u>Req.</u>	<u>Recom.</u>	<u>Req.</u>	<u>Recom.</u>	<u>Req.</u>	<u>Recom.</u>
<u>Existing programs</u> for which authorization must be renewed in 1979:									
NOAA	B/A	8	8	8	8	8	8	8	8
	0	7	8	8	8	8	8	8	8
DIBA	B/A	7	7	7	7	7	7	7	7
	0	7	7	7	7	7	7	7	7
OMBE	B/A	8	8	8	8	8	8	8	8
	0	8	8	8	8	8	8	8	8
MARAD	B/A	640	254	664	224	682	215	707	215
	0	628	429	661	341	699	258	726	221
Dept. of Commerce Totals	B/A	663	277	687	247	705	238	730	238
	0	650	452	684	364	722	281	749	244



Department of Commerce
1978 Budget

Recommended FY '77 Deferrals and Rescissions

Deferrals: \$71.0M

1. Economic Development Administration, Public Works grants..... \$63.5M

A deferral of \$63.5M is recommended in the regular EDA public works grants program due to overlap with the subsequently enacted \$2B Local Public Works "Jobs" program. These funds would be made available in FY '78 to supplement the program level and reduce the amount of required new budget authority. (See Issue Paper #5.)

2. NOAA, Marine Programs..... \$ 7.5M

A deferral of \$7.5M in funds available for the construction of two fisheries research ships is recommended. These ships are to be used in support of the new 200 mile fisheries management program. Current ship availability can meet requirements through FY '77 without the need to resort to new construction. (See Issue Paper #4.)

Rescissions: \$2.5M

1. U.S. Travel Service, Domestic Tourist program..... \$ 1.0M

A rescission of \$0.5M is recommended in the international tourism program and \$0.5M in the domestic tourism program. The USTS program plans for FY '77 do not call for the use of these funds.

2. NOAA, Ocean Laboratory..... \$ 1.5

A rescission of \$1.5M is recommended for the proposed ocean laboratory. Funding for this project is unjustified. The agency has no sound program objective and the out year costs of such an undirected venture could run \$20M over the next 5 years, if it is allowed to go forward. (See Issue Paper #4.)



ISSUE #1

Issue Paper
Department of Commerce
Maritime Administration
1978 Budget

Issue #1: Federal Subsidies for Ship Construction and Operation

Background

Among the numerous forms of Federal support for the U.S. maritime industry, subsidies to promote the construction and operation of ships under the United States Flag have by far the largest budgetary impact. The total outlay of these subsidies in Fiscal Year 1976 resulting from both construction and operating contracts was \$504M.

Under the Merchant Marine Act of 1936, the authority to enter into construction and operating contracts rests with the Secretary of Commerce. This authority has in turn been delegated by Departmental order to a Maritime Subsidy Board (MSB) composed of the Assistant Secretary for Maritime Affairs, his deputy, and the General Counsel of the Maritime Administration (MARAD).

Subsidy payments to the maritime industry have generally been justified along two broad lines: 1) national security and 2) employment. It is argued that the maintenance of a merchant shipping fleet and a domestic ship building and repairing capacity is essential in case of war or other national emergency such as an imposed embargo. The construction of U.S. ships and their operation in the foreign trades is also cited as important source of "jobs" in the American economy.

The ship construction differential subsidy (CDS) program has supported contracts for the construction of 63 ships since 1970 including 34 new oil tankers. Completion of all these vessels is expected by 1978. A sharp decline in demand for new ship construction during the last two years has left MARAD with \$346M in unobligated CDS budget authority at the start of fiscal year 1977. The largest source of demand for new ships in the immediate future is expected to come from operators of container-ships and liquified natural gas (LNG) carriers. Given the existence, at present, of substantial worldwide overcapacity in the tanker industry, it is unlikely that there will be any new construction activity in the tanker area for at least a decade. Regardless of whether new CDS contracts materialize in FY 1977 and thereafter, a decline in shipyard employment is anticipated in 1977 and 1978. Current shipyard employment runs at about 160,000 persons.



Under the operating differential subsidy (ODS) program, payments are made to the operators of U.S. flag passenger, general cargo, and bulk carriers to compensate them for the amount by which their costs for wages, maintenance and repairs, and insurance exceed comparable costs for foreign carriers. Currently, there are 207 subsidized ships in the merchant fleet (excluding contractors for Russian grain shipments). This number is up from 187 as of June 1975. In making ODS agreements with American shipping firms, the MSB exercises indefinite contract authority. Thus, with its usual practice being to renew ODS contracts for twenty years, the MSB can commit the Federal Government to sizable current and outyear costs. Starting back in 1975, a number of contracts began coming up for renewal. Three major contracts have already been renewed for twenty years, two are presently in the administrative hearings process and three more will come up for renewal on December 31, 1977, i.e., in FY 1978. OMB has repeatedly made clear to the Department of Commerce our concern about the uncontrollability of ODS costs and the need to hold down the level of ODS payments.

It should be noted that Federal support for the maritime industry has received considerable scrutiny and publicity--much of it unfavorable--in the last few weeks in articles appearing in the Washington Post and the National Journal and in a broadcast segment on the CBS program "60 Minutes." Also, the national defense aspects of a civilian maritime program may possibly be subject to further review following the issuance of a new National Security Study Memorandum (NSSM 246) which is expected to be available in November 1976.

Statement of Issue

Should the 1978 budget propose no new funding for CDS and only limited funding for ODS, pending completion of a study of the rationale for continued Federal subsidization of the U.S. maritime industry?

Pros.

- ° Proposing limits on funding would draw further attention to recent questioning of the need for continued maritime subsidies.
- ° This approach would maintain maximum flexibility, in that it would avoid foreclosing any options which the proposed study might wish to explore.
- ° With six ODS contracts totaling \$155M per year coming up for renewal over the next three fiscal years (1978 and thereafter), this strategy would permit a policy review of this issue before the government is locked into further large long-term commitments.



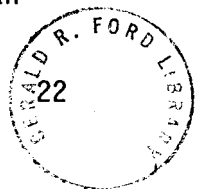
- ° The \$346M of unobligated budget authority now available for the CDS program is probably adequate to support new ship construction activity well into FY 1978.

Cons.

- ° Publicizing this issue through the budget might encourage supporters of maritime subsidy programs to solidify their positions prior to the completion of the study.
- ° Studying the issue may only lead to increased pressure for new and expanded forms of subsidy for the industry.
- ° This action might be interpreted as being inconsistent with the current policy of support for the maritime industry and its revitalization.

Alternatives

- #1. Continue to support the maritime industry by requesting ongoing levels of funding for subsidy programs (Agency request). Under this alternative: 1) CDS would be funded at a level consistent with MARAD's forecast of the demand for new ship construction in 1978, requiring \$135M in new budget authority; and 2) ODS would be funded at a level which assumes the continuation of only the existing amount of subsidized ocean carrier service.
- #2. Request continued funding for these programs at a level slightly more constrained than that proposed by the Department. Under this alternative: 1) CDS would be provided with enough budget authority (\$64M) to finance all of MARAD's estimated demand for new ship construction, except for two of the six proposed LNG's. The demand for the construction of these particular ships is overly optimistic in light of existing regulatory delays. 2) ODS would be further constrained by assuming that nine over-age ships would be taken off subsidy during FY 1978.
- #3. Provide no new CDS funding and only enough ODS funding to make payments on contracts in force after December 31, 1977. Under this alternative it is assumed that existing unobligated budget authority is sufficient to support demand for CDS funding through December 31, 1977, and that any ODS contracts expiring on or before December 31, 1977, will be renewed only through that date. In order to implement this alternative it would be necessary for the President to direct the Secretary of Commerce to limit the renewal of ODS contracts to the December 31, 1977 date. December 31, 1977, would be the target date for completion of an OMB study and implementation of recommended actions.



Analysis

Budget Authority/Outlays (\$ in millions)	1976		1977		1978		1979		1980		1981		1982	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Alt. #1 (Agency req.) .	473	504	366	624	465	600	588	572	588	585	588	592	588	590
Alt. #2	473	504	366	624	385	586	530	510	530	520	530	530	530	530
Alt. #3 (OMB rec.)	473	504	366	624	249	525	212	386	183	300	175	218	175	181

Agency Request

(Difference from Alt. #1 (Agency request))	1978 Outlays	1979 Outlays)
(Alt. #3 (OMB rec.)	-75	-186
(Alt. #2	-14	- 62

Agency Request: Alternative #1. The Department believes that existing subsidy programs are necessary to avoid more objectionable forms of (implicit) subsidies such as might arise under expanded cargo preference laws. MARAD also argues that its projected CDS program level may even understate the demand for new ship construction which will occur through FY 1978. Finally, MARAD points to the following three assumptions incorporated in the Departmental request as evidence that ODS is being held to the minimum level feasible: (1) two remaining American passenger liners will be taken off subsidy in 1978; (2) only existing ODS contracts will be renewed--no new carriers or trade routes will be put on subsidy; and (3) Russian grain shipments will involve only the 6 million metric ton minimum that the USSR is committed to purchase (of which 2 million tons will go by U.S.-flag carrier),

OMB Recommendation. Alternative #3. We have serious doubts concerning the validity of the justifications used to support these subsidy programs. In the past, when one rationale for the program (i.e., defense) has been seriously questioned, its proponents have switched to the other (i.e., employment). We believe that a thorough study is needed to determine:

- Whether the mix of ships proposed for construction under CDS and being operated with the aid of ODS meets any national defense objective which requires Federal support of the maritime industry; and
- Whether or not subsidizing this industry is a cost effective method of providing employment.



Moreover, present circumstances afford an excellent opportunity to undertake such a study:

- there is enough unobligated authority to carry the CDS program into 1978;
- sizeable twenty year commitments are coming up for renewal in the ODS program;
- the NSSM 246 may provide new guidelines by which to evaluate the national defense argument; and
- there is heightened public awareness of these programs and the special-interest nature of their support.

Therefore, we believe such a study should be undertaken during calendar year 1977. We suggest that OMB have the lead for this study with additional staff work provided through consultants and agency personnel detailed to OMB. In the meantime, the necessary administrative steps should be taken to insure that actions of the MSB do not foreclose any forthcoming recommendations.



Issue Paper
 Department of Commerce
 1978 Budget
 National Oceanic and Atmospheric Administration (NOAA)
 Issue #2: Coastal Zone Management and Coastal Energy Impact Programs

Background

Congress recently enacted the Coastal Zone Management Act Amendments of 1976 (P.L. 94-370) which authorize:

- ° A significant expansion of the existing Federal Coastal Zone Management Program. The amendments to the Act are intended to bring about the "rational" use and conservation of the Nation's coastal zone by encouraging and assisting states to exercise their responsibilities in the coastal zone.
- ° A new coastal energy impact program. The program is aimed at developing a greater degree of national energy self-sufficiency by lessening state and local resistance to energy development activities. Under the program Federal assistance is authorized to help states and local areas prepare for the additional public facilities and expanded services that will be required as a result of energy development activities.

The Coastal Zone Management and the Coastal Energy Impact program issues are presented in attachments 2 A and 2 B, respectively. The amounts involved are as follows:

Summary Analysis (\$'s in millions)

	1976 Actual	1977			1978		1979	
		Cong. Approp.	DOC Request	OMB Recom.	DOC Request	OMB Recom.	DOC Recom.	OMB Recom.
Coastal Zone Management Program	--	18	33	19	49	21	66	29
Coastal Energy Impact Program	--	--	<u>162</u>	<u>111</u>	<u>211</u>	<u>144</u>	<u>233</u>	<u>161</u>
Total - BA	--	18	195	130	260	164	299	190
0	--	15	102	71	175	100	250	147



Issue #2A: Coastal Zone Management Program

Background

With the objective of promoting well planned conservation and development of the Nation's coastal zone, the Federal Coastal Zone Management (CZM) program was established in 1972. Under the program coastal states can apply for development and administration grants for the purpose of developing a detailed management plan for the use of their coastal areas and assistance in carrying out the plan. The grant funds are administratively allocated on a formula basis that weighs length of shoreline (40%), coastal population density (40%) and need (20%).

Once a coastal management plan--usually requiring approval by the state legislature--has been approved by Commerce, no Federal agency can conduct a coastal related program in that State which is inconsistent with the management plan. Likewise, no state can receive Federal financial assistance through the coastal energy impact assistance program, unless it is receiving a CZM grant or in the judgement of the Secretary of Commerce is making satisfactory progress toward the development of a coastal zone management plan.

The Coastal Zone Management Act Amendments of 1976 extended the CZM program through 1980 and expanded its provisions as follows:

- ° Development Grants - The Act increased the number of years of support for development grants from 3 years to 4 years and authorized "initial" implementation grants to assist those states which are completing their plans and beginning to implement parts of their coastal zone management program. The limit on the Federal share of each states' grant was raised from 66 2/3% to 80% and three new planning requirements--energy facilities location, protection of and access to public beaches and other public coastal areas, and shoreline erosion assessment and control--were added as required elements that must be included in a state's management plan when it is submitted for Commerce's approval.
- ° Administration Grants - The limit on the Federal share of administration grants was also raised from 66 2/3% to 80%.
- ° Interstate Grants - The Act provides new interstate grants with up to 90% Federal share for the negotiation of interstate compacts and the development of interstate and regional agencies to address interstate and regional coastal problems.



- Estuarine Sanctuaries Grants - The Act authorizes up to 50% Federal funding to states to continue to acquire, develop, and operate estuarine sanctuaries as natural field laboratories
- Beach Access Grants - On a 50-50 matching share basis, the new beach access grants are to assist States in acquiring land to provide access to public beaches and other public coastal zone areas.
- Research and Technical Assistance - The Act authorizes--with up to 80% Federal match--new research and technical assistance grants to states for research and training programs in support of the development and implementation of coastal zone management programs. Extensive use of Federal agency expertise on a reimbursable basis is also authorized.

Congress increased the Federal match rates because the state coastal zone authorities were having problems obtaining support from their state legislatures.

Over the past 3 years the Federal Government has provided \$33 million--on the average about \$1 million each--to 33 States and Trust Territories (see Attachment 2A-I) for the development of their plans. Only one State, Oregon has reached the stage of implementing an approved plan. NOAA estimates that 9 states will have approved and fully implemented management plans in 1977. By end of 1978, NOAA estimates a total of 16 states--or about half of the States in the program--will have their management programs approved and operational. The remaining states should complete and implement their plans in 1979. The delays in developing plans can be variously attributed to weaknesses in some states' management ability, the inability of some state legislatures to approve the plans, and a lower priority placed on this program by some states.

The Administration opposed expansion of the existing programs and the creation of new categorical grant programs.

Statement of Issue

Should Commerce be allowed to fund by 1978, as it has requested, all the expansions and new initiatives contained in the recent Coastal Zone Management Amendments and expect to continue this expanded Federal role through 1980?

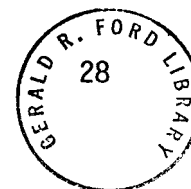


Pros.

- Additional and expanded Federal assistance could help prod all states to fully develop and implement coastal zone management programs.
- If additional Federal assistance is not available, many states may choose not to develop their plans, let alone implement them.
- States would have a new source of funds available for protecting and acquiring access to public beaches and other coastal areas.

Cons.

- The Federal Government has already provided to the coastal states over the last three years an average of \$1M a piece for developing their management plan.
- NOAA cannot assure us that additional and expanded Federal support will result in the completion of state management programs.
- Increasing the level of Federal support--while allowing the states' share to decline--means that states will have less investment of their own in the program and thus may further assign it a lower priority in competing against other state priorities.
- Implementation of new and expanded CZM program runs counter to this Administration's attempts to consolidate and/or phaseout categorical grant programs.
- Other Federal programs already exists to achieve some of the objectives of the new CZM provisions, e.g., Sea Grants and programs operated by Interior under the Land and Water Conservation Fund.
- If efforts to limit the Federal role are not pursued now, the task of phasing out Federal involvement in helping states administer management programs will be even more difficult and pressures for continued Federal assistance will probably increase.



Alternatives

- #1. Allow Commerce to implement by 1978 all the expansions and new provisions in the CZM Act. For 1977 this would mean seeking \$16 million in supplemental funding for a total of \$33 million in budget authority to:

- increase the Federal match from 66 2/3% to 80%;
- provide 33 states additional support for meeting new planning requirements;
- give fourth year or "initial" implementation development grants to 9 eligible states;
- implement the research and technical assistance program, and;
- provide additional CZM program management support for the expanded program.

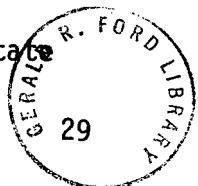
For 1978 it would mean seeking a \$49 million appropriation to:

- maintain the Federal match at 80%;
- provide all states a second year of support for new planning requirements;
- provide additional fourth year or "initial" implementation development grants to 16 eligible states;
- award 16 administration grants with 22% increase over the 1977 funding level;
- increase funding for research and technical assistance program by 31%;
- implement beach access and interstate programs, and;
- purchase additional sanctuaries

Determination of the long term Federal role would be delayed until 1980 when this program could be better evaluated. (Agency request).

- #2. Fund, at lower levels than Commerce requested, most of the new provisions in the CZM Act. For 1977 this would mean seeking \$5 million in supplemental funding for a total request of \$23 million in budget authority. This option differs from Alternative #1 as follows:

- the average Federal match would only be increased to 70%--not to 80%;
- support for 4th year or "initial" development grants and sanctuaries would be decreased by 50% below Commerce's request, i.e., average 40% Federal match, and;
- no funding would be requested for new categorical research, beach access, and interstate grants.



For 1978, it would mean seeking a \$30 million appropriation. The above proposed 1977 policies would be continued.

- #3. Fund the present CZM program at about current levels and fund only one of the new CZM provisions. Plan to take in 1979 actions to begin decreasing the Federal role. For 1977, this would mean seeking only \$1 million in supplemental funding for a total of \$19 million in budget authority by:

- maintaining the Federal match at 66 2/3%;
- providing no support for new planning requirements;
- funding 5 "initial" implementation grants at 33 1/3% match--instead of 80%--but providing no support for fourth year grants;
- not implementing research and technical assistance program, and;
- maintaining CZM management at current level.

For 1978, it would mean seeking a \$21 million appropriation by:

- continuing the 1977 recommended budget policies;
- seeking no funding increases for administration grants or new sanctuaries; and
- not implementing the new interstate and beach access programs.

A phaseout policy starting in 1979 would be announced. All states receiving administration grants in 1978 would be limited to 3 years more of Federal support with the match declining to 20% in the last year. (OMB recom).

Analysis

	<u>1976</u>		<u>1977</u>		<u>1978</u>		<u>1979</u>		<u>1980</u>		<u>1981</u>		<u>1982</u>	
<u>Budget Authority/Outlays</u> <u>(\$ in millions)</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>	<u>BA</u>	<u>0</u>
Coastal Zone Management Program:														
Alt. #1 (Agency req.)	18	13	33	23	49	40	66	50	71	60	75	75	80	80
Alt. #2	18	13	23	17	30	24	40	35	50	40	52	45	60	50
Alt. #3 (OMB rec.)	18	13	19	15	21	20	29	27	21	21	16	20	11	15

Agency Request

(Difference from Alt. #1 (Agency request)		<u>1978 Outlays</u>	<u>1979 Outlays</u>
{ Alt. #3 (OMB rec.)	-25	-23	
{ Alt. #2	-16	-15	

Attachment 2A-II displays the alternatives by program.



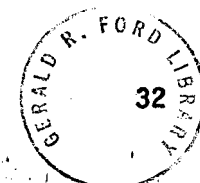
Agency Request: Alternative #1. The Department believes that the Coastal Zone Management program should be expanded and continued with the fully authorized Federal matches into at least the 1980's. They argue that "decisions typically have been made at the local level without due regard for state and national interest or the total implications of the action." They further believe that their request reflects the intent of Congress and that unless Federal assistance is provided, up to 18 states may not complete and implement coastal zone management programs.

OMB Recommendation. Alternative #3. The Division supports the concept of CZM planning. Nevertheless, it is not apparent that the difficulties states are still having in completing their plans--after 3 years of Federal support--can be related to lack of resources. The Division recommends limiting the Federal role to assisting states with the development and implementation of plans and planning now to begin in 1979 gradual phase out of assistance after states have achieved approved management programs. To do otherwise risks, in the Division's view, substituting Federal support for state support of activities the states should have reason to pursue. The state and their local areas will benefit by effective coastal zone management and suffer--to the accompaniment of local complaints--from poor management.



Coastal Zone Management Program/Development Grants Funding History

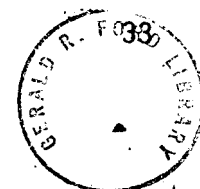
	1974	1975	1976	TOTAL
1. Alabama	\$100,000	\$120,000	...	...
2. Alaska	600,000	...	\$1,200,000	...
3. American Samoa	...	...	...	...
4. California	720,000	900,000	1,200,000	...
5. Connecticut	194,285	...	392,000	90,484
6. Delaware	166,666	...	345,000	...
7. Florida	450,000	...	763,000	...
8. Georgia	188,000	349,250	67,000	...
9. Guam	...	143,000	...	189,000
10. Hawaii	250,000	400,000	500,000	...
11. Illinois	206,000	384,000	...	50,000
12. Indiana	...	220,000	...	...
13. Louisiana	260,000	342,000	710,000	...
14. Maine	230,000	328,870	603,970	432,000
15. Maryland	280,000	400,000	160,000	810,290
16. Massachusetts	210,000	382,000	575,330	...
17. Michigan	330,486	400,000	436,308	...
18. Minnesota	99,500	150,000	227,000	...
19. Mississippi	101,564	127,038	80,000	33,868
20. New Hampshire	78,000	120,000	148,000	...
21. New Jersey	275,000	470,750	337,000	...
22. New York	...	550,000	1,152,666	...
23. North Carolina	300,000	503,000	687,763	...
24. Ohio	200,000	...	419,000	...
25. Oregon	250,132	298,811	897,135	...
26. Pennsylvania	150,000	225,000	292,000	...
27. Puerto Rico	250,000	330,000	...	...
28. Rhode Island	154,415	304,440	542,590	192,779
29. South Carolina	198,485	221,000	477,921	...
30. Texas	360,000	620,000	1,200,000	175,000
31. Virgin Islands	...	90,000	120,000	...
32. Virginia	...	251,044	403,520	...
33. Washington	388,820	...	775,000	...
34. Wisconsin	208,000	340,600	219,800	10,000
Totals	7,199,353	8,990,803	14,932,004	1,983,421



1980 Budget
Department of Commerce
National Oceanic and Atmospheric Administration (NOAA)
Coastal Zone Management Program (CZM)
(In millions of dollars)

Program	1976	T.Q.	Pres. Budget	Cong. Appro.	1977			1978			1979		1980		1981	1982
	Actual	Actual			DOC Request Alt #1	Alt #2	OMB Recom. Alt #3	DOC Request Alt #1	Alt #2	OMB Recom. Alt #3	DOC Request Alt #1	OMB Recom. Alt #3	DOC Request Alt #1	OMB Recom. Alt #3	OMB Recom. Alt #3	OMB Recom. Alt #3
Development	14.2	3.8	9.2	9.2	20.0	15.1	11.7	15.8	8.7	4.2	6.4	--	--	--	--	--
Administration	2.0	1.2	10.0	9.9	9.2	8.0	8.0	22.2	18.7	15.0	44.0	28.0*	50.0	20.0	15.0	10.0
Research and																
Technical Assist.	--	--	--	--	2.6	--	--	3.4	--	--	5.0	--	3.4	--	--	--
Interstate	--	--	--	--	--	--	--	0.2	--	--	1.0	--	2.5	--	--	--
Estuarine Sanctuaries	.8	--	3.0	2.0	2.1	2.1	2.1	1.5	1.2	0.2	2.0	0.2	2.0	0.2	0.2	0.2
Beach Access	--	--	--	--	--	--	--	2.4	--	--	5.0	--	10.0	--	--	--
CZM Program Management	2.8	1.0	1.2	1.2	3.2	2.0	1.2	3.1	1.2	1.2	3.1	1.0	3.1	0.8	0.8	0.6
Total - P.L.	19.8	4.8	23.4	22.3	37.1	27.2	23.0	48.6	29.8	20.6	66.5	29.2	71.0	21.0	16.0	10.8
B.A.	18.0	4.5	23.4	18.0	33.3	23.4	19.2	48.6	29.8	20.6	66.5	29.2	71.0	21.0	16.0	10.8
0	13.0	4.8	15.3	15.3	24.0	17.0	15.0	40.0	24.0	20.0	50.0	27.0	60.0	21.0	20.0	15.0
Employment																
FTP Positions	39	--	39	39	105	42	42	105	42	42	105	35	105	35	30	25
FTP, End-of-year	37	--	37	37	101	40	40	101	40	40	101	35	101	33	27	20

*Assumes 30 States will have management programs.



Issue #2B: Coastal Energy Impact Program

Background

Among the Coastal Zone Management Act Amendments of 1976 is one that directs the Secretary of Commerce to establish and administer a program of Federal financial assistance--through loans and grants--to coastal states and their local governments to help them deal with the impacts of coastal energy activity. The coastal energy impact program is intended to help states and local governments prepare for the oncoming coastal dependent energy activity--Outer Continental Shelf (OCS) oil development; transportation and processing of liquified natural gas (LNG); and transportation, transfer, and storage of coal, oil, or natural gas. The Federal assistance would help finance the costs of the environmental and socio-economic consequences such as new or increased public services and facilities required because of population increases. The program is designed to reduce state and local resistance to energy development in coastal areas.

The Act specifically authorizes the following two interlocking sources of financial assistance:

1. Coastal Energy Impact Fund. The coastal energy impact fund provides three types of assistance:
 - Loans and loan guarantees to be allocated to the States and local units by formula. The formula is to be based on, but not limited to, new employment and related population and is to use standardized regional unit costs--determined by the Secretary of Commerce--for new or increased infrastructure. If there is an inability on the part of States or localities to meet loans or guarantee obligations, when due, because the actual increase in revenues expected from energy activity and associated facilities does not materialize, the fund can be used to extend repayment assistance in the form of grants.
 - Planning Grants to study and plan for economic, social, and environmental consequences of new or expanded energy facilities affecting the coastal zone.
 - Environmental Grants for those States suffering "unavoidable" loss of valuable environmental or recreational resources due to coastal-dependent energy activities.



The authorization for appropriations for this fund is limited to \$800 million over ten years with up to \$50 million of that amount available for planning and environmental grants.

2. Energy Impact Formula Grants. The Act authorizes appropriations for 8 years of energy impact formula grants at up to \$50 million annually. The formula is based on the proportions of OCS activity--acres leased (33 1/3%), new employment related to energy activities (33 1/3%), oil production (16 2/3%), and oil landings (16 2/3%)--in or adjacent to each state when measured against a nationwide base. The grants may be used for the following purposes, in the order of priority given to them in the Act:

- retiring of State and local bonds guaranteed under the coastal energy impact fund, if there is an inability to repay;
- planning and constructing OCS energy related public facilities and services if loans and loan guarantees are not available from the coastal energy impact fund; and
- the preventing or ameliorating of "unavoidable" losses--those which cannot be attributed to or assessed against identifiable persons or paid for through other Federal programs.

The coastal energy impact fund is also linked to Coastal Zone Management (CZM) program. A state must be receiving a development or administration grant from the coastal zone management program or "in the judgement of the Secretary, be making satisfactory progress toward the development of a management program which is consistent" with the objectives of the Coastal Zone Management Act.

The Act reflects a compromise achieved between the Administration and the Congress. The Administration favored a loan fund (with repayment forgiveness) for energy impact assistance related to federally-owned energy resources in both coastal and inland areas with limited planning grants. The Administration opposed legislation which would have also provided coastal states with automatic payments (revenue sharing) and impact aid grants.

The Administration's proposed loan program, generally, reflected the following principles:

- Assistance should be available where needed, in amounts related to the need, and at the time of need, which is primarily when energy resources are first developed (front end).



- Assistance should be used to plan for and provide essential public facilities;
- The end users of energy and the population which benefit from the economic development should bear the financial responsibility of providing public facilities except in cases where the energy activity does not materialize as projected due to circumstances beyond the control of the states and localities.

In response to the new coastal energy impact program, Commerce has proposed that all of the program's provisions be implemented. Commerce would front end the coastal energy impact fund to make the assistance available as soon as possible to offset energy impacts as they occur. In 1977 and 1978 Federal credit assistance would be made available to provide states and local units sufficient funds to meet almost all (90%) of the total estimated cost of new and improved public facilities and services for population increases related to energy development activity. Commerce would also fund the three grant programs at moderate levels related to anticipated levels of energy activity.

Attachment 2B-I displays Commerce's assumptions for calculating its request for coastal energy impact funds. Table 2B-II provides a summary comparison of Commerce's and OMB's recommendations for the coastal energy impact program.

Statement of Issue

Should the Department of Commerce's plan for implementing the coastal energy impact program be accepted?

Pros.

- Would stimulate rapid energy development by making Federal financing available as early as possible and thus avoid delays which might occur if communities had to resort to the private market to finance infrastructure costs related to energy development.
- In keeping with the concept that energy self sufficiency is a national objective, would transfer to the Federal Government the risk of loan repayment losses due to the establishment of unnecessary infrastructure or failure of energy activity to materialize.
- Would reduce the likelihood that states could use the energy impact grants by providing sufficient loan funds.



- Funding of the energy impact formula grants and the planning and environmental grants gives the states free, full and flexible assistance to meet any energy related needs.

Cons.

- Would discourage the use of local and other private sources of funding for infrastructure requirements.
- Does not provide assurances that Federal assistance would be provided in such a manner that it is utilized for only essential infrastructure needs and reasonable risks.
- Would expand the Federal role beyond loan assistance so that the energy resources related costs would not be assigned to the users but to the general public.

Alternatives

- #1. Implement the Department of Commerce's plan. Under this alternative the loan program would be front ended to finance virtually all estimated infrastructure costs and the planning, environmental, and energy impact formula grants would be moderately funded. (Agency request)
- #2. Same as Department of Commerce's plan for the loan program, but do not implement grant programs. Under this option no funding would be sought for the planning, environmental, and formula grants.
- #3. Implement the coastal energy impact fund program but limit Federal funding. Under this option the loan fund would be front ended at a lower level and managed in such a manner to encourage states and localities to seek private and other sources of financing and to limit Federal financing to essential infrastructure needs and risks. No funding would be requested for the grant programs. (OMB recommendation)

Analysis

	1976		1977		1978		1979		1980		1981		1982	
Budget Authority/Outlays (\$ in millions)	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
CIEP:														
Alt. #1 (Agency req)	--	--	162	78	211	135	233	200	292	250	39	30	50	40
Alt. #2	--	--	142	70	180	120	201	180	260	225	--	--	--	--
Alt. #3 (OMB rec.)	--	--	110	51	143	80	161	120	236	200	153	200	1	1



Agency Request

<u>(Difference from Alt. #1 (Agency request)</u>	<u>1978 Outlays</u>	<u>1979 Outlays)</u>
(Alt. #3 (OMB rec.)	-55	-80
(Alt. #2	-15	-20

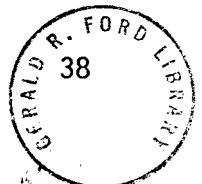
Agency Request: Alternative #1. The Department believes that their request is "not only consistent with Administration policy and the minimum amount necessary to move ahead with our new responsibilities" but also is necessary to gain State cooperation for Federal energy objectives. Furthermore, Commerce believes that this request reflects Congressional perception of "agreements" made during negotiations on the CZM Act.

In Commerce's view, states and local units, especially coastal towns and rural regions, will have to look to Federal Government to bear the major risks involved in encouraging energy development. In addition, Commerce believes that their assumptions are sound and defensible before public scrutiny. Finally, the Department argues that their full plan, i.e., virtually full front end funding of the loan program and moderate funding of categorical grants, must be implemented to avoid OCS revenue sharing.

OMB Recommendation: Alternative #3. This recommendation would accomplish the Administration's objectives and would help assure that:

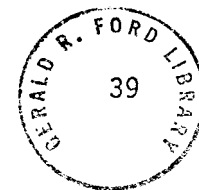
- ° States and localities rely on private and other sources of financing as much as possible;
- ° Unnecessary or lower priority infrastructure development is minimized;
- ° The loan program is held to \$800 million in Federal obligations since the front ending would be observed, but with more caution. Loan assistance would be available over a longer time period--thus helping to preclude pressures to expand the fund, if the \$800 million is depleted early.

The Division believes that the categorical grant programs are unnecessary. Some of the financing is available through other Federal programs, e.g., CZM. States and localities can utilize the loan funds for many of the same objectives or charge the users. Finally, we are aware of no specific funding level "commitments" nor it is apparent that funding the coastal energy impact program at high or low levels will encourage or discourage legislative initiatives for OCS revenue sharing.



To assure that the Administration objectives are met but within the funding levels recommended by the Division, we would propose the following management policies for the coastal energy impact fund:

- 100% Backing of all Loans. We concur with Commerce that all assistance loans and loan guarantees provided through the fund should be appropriated on a dollar-for-dollar basis. This will set the upper limit of \$800 million for credit assistance to be provided to all the states. This can be done by precluding the guarantees as leverage (e.g., \$800 million could provide guarantees for \$8 billion in loans if only 10% funding is kept as backing).
- Interest Rate. We would advise the Department to establish in its regulations--except for special circumstances determined by the Secretary of Commerce--the interest rate at the Treasury rate which is the maximum allowable under the Act. This would provide incentive for the states and localities to seek loans from private markets at lower interest rates, where available.
- Partial Loans. The Coastal Zone Management General Counsel has interpreted the Act to prohibit partial loans since it is silent on the issue. We would encourage Commerce to seek additional legal advice. If the initial opinion holds, we would request amending legislation to provide for partial loans. This would allow coverage of more communities and also allow them to share the risk of the loans.
- Federal Financing Bank (FFB). We would oppose use of the Federal Financing Bank to purchase guarantee loans under this program since this would be an "off-budget" equivalent of providing a direct loan.



3 Budget
Department of Commerce/National Oceanic and Atmospheric Administration
Issue 2 B: Coastal Energy Impact Fund
Summary Comparison of Assumptions

Attachment

	1977							1978						
	New Employment*		Average Unit Cost		Energy Impact Related Costs			New Employment*		Average Unit Cost		Energy Impact Related Costs		
	Federally Financed		Est. Federal		Est. Total Federal Share			Federally Financed		Est. Federal		Est. Total Federal Share		
	DOC Rec.	OMB Rec.**	Cost	DOC/OMB Rec.	Cost	DOC Rec.	OMB Rec.	DOC Rec.	OMB Rec.**	Cost	DOC/OMB Rec.	Cost	DOC Rec.	OMB Rec.
<u>OCS Related</u>														
Atlantic	5,500	3,800	\$5,000	\$5,000	\$27M	\$27M	\$19M	5,900	4,200	\$5,000	\$5,000	\$29M	\$29M	\$21M
Gulf	2,100	1,700	\$5,000	\$5,000	10M	10M	8M	10,500	7,600	\$5,000	\$5,000	52M	52M	38M
Pacific	8,800	6,300	\$5,000	\$5,000	44M	44M	32M	4,600	3,400	\$5,000	\$5,000	25M	23M	17M
Alaska	5,500	5,000	\$7,200	\$5,000	40M	27M	25M	12,600	11,300	\$7,200	\$5,000	91M	63M	57M
Subtotal	21,800	16,800			\$121M	\$110M	\$82M	33,600	26,000			\$197M	\$168M	\$131M
Coastal-dependent energy activity	3,400	2,900	\$5,000	\$5,000	16M	16M	15M	1,200	1,200	\$5,000	\$5,000	6M	6M	6M
Transportation of fossil fuel	7,600	6,700	\$2,000	\$2,000	15M	15M	13M	3,400	3,400	\$2,000	\$2,000	7M	7M	7M
Total	32,300	26,500			\$152M	\$141M	\$110M	38,200	30,200			\$210M	\$181M	\$143M
Percent of Estimated Total New Infrastructure Cost					100%	93%	72%					100%	86%	68%

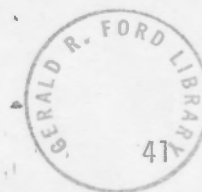
* Based on population multiplier of 4.2

** Assumes that non-Alaska States and Alaska will be able to find in 1977 and 1978 private and other financing sources for new and expanded infrastructure costs related to 70% and 90% of new population respectively and that 10% of coastal dependent energy and transportation of fossil fuels can be financed through sources other than the Federal coastal energy impact fund. in 1977.



1978 Budget
 Department of Commerce
 National Oceanic and Atmospheric Administration
Issue 2 B: Coastal Energy Impact Assistance Program
 (BA in millions of dollars)

Program	1976	1977					1978			1979		1980		1981	1982
	Actual	Pres. Budget	Cong. Approp.	DOC Request Alt #1	OMB Recom. Alt #2	OMB Recom. Alt #3	DOC Request Alt #1	Alt #2	OMB Recom. Alt #3	DOC Recom. Alt #1	OMB Recom. Alt #3	DOC Recom. Alt #1	OMB Recom. Alt #3	OMB Recom. Alt #3	OMB Recom. Alt #3
<u>Coastal Energy Impact Fund</u>															
Loans, Guarantees, & Repayment	--	--	--	141.0	141.0	110.0	180.0	180.0	143.0	200.0	160.0	259.0	235.0	152.0	--
Planning Grants	--	--	--	3.5	--	--	3.5	--	--	3.5	--	3.5	--	--	--
Environmental Grants	--	--	--	1.5	--	--	1.5	--	--	1.5	--	1.5	--	--	--
Subtotal - CEIF	--	--	--	146.0	141.0	110.0	185.0	180.0	143.0	205.0	160.0	264.0	235.0	152.0	--
<u>Energy Impact Formula Grants</u>	--	--	--	15.0	--	--	25.5	--	--	27.0	--	29.5	--	--	--
<u>CZM Program Management</u>	--	--	--	1.0	0.7	0.7	0.9	0.6	0.6	0.9	0.6	0.9	0.6	0.6	0.6
Total - BA	--	--	--	162.0	141.7	110.7	211.4	180.6	143.6	232.9	160.6	291.9	235.6	152.6	0.6
- 0	--	--	--	77.6	70.0	50.7	135.0	120.0	80.0	200.0	120.0	250.0	200.0	200.0	0.6
<u>Employment</u>															
FTP Positions	--	--	--	40	21	21	40	21	21	40	21	40	21	21	21
FTP, End-of-year	--	--	--	38	20	20	38	20	20	38	20	38	20	20	15



ISSUE #3

Issue Paper
Department of Commerce
National Oceanic and Atmospheric Administration
1978 Budget
Issue #3: NOAA Weather Programs

Background

The primary goal of the NOAA weather program is to protect life and property through the provision of timely weather forecasts. A secondary goal of the program is to provide weather information which can assist in promoting the efficiency and productivity of government, industry, and individuals.

Providing general weather forecasts and warnings is expensive--it currently cost about \$350M annually or about \$1M per day to provide this service. On a per capita basis weather services are costing over \$1.65 a year for every man, woman and child in the country. Furthermore, the cost of providing weather services has increased significantly. When measured in constant dollars the funding level for NOAA weather services has increased 55% over the last ten years.

Most of the cost increase in the weather program can be traced to the introduction of weather satellites and new hardware systems. This new technology has contributed to speeding up the preparation and dissemination of forecasts and warnings, but has done little to improve the accuracy of forecasts. Despite technological advances, the level of weather forecast accuracy has improved minimally over the last 25 years. There has, however, been some significant improvement in locating and tracking severe weather phenomena (i.e. tornados, hurricanes, and severe storms). It should be noted that in general, large investments in equipment and systems are necessary to achieve even a marginal improvement in accuracy at the national or local level.

NOAA generally will agree that, pending major technological break throughs, an "adequate" weather system is currently in place. NOAA, however, believes that further improvements should be pursued:

- ° In the research area, NOAA believes that there are long term benefits to be gained from developing baseline climate data and continuing to pursue national and international studies of the interaction of the oceans and the atmosphere. Recent public concerns over "ozone" and world droughts has underscored the desire for such studies. NOAA also is interested in pursuing research on the possibilities of modifying the weather, particularly in the case of hurricanes.



- ° In the service area, NOAA would like to see continued gains in speeding up the collection and dissemination of weather data. Unlike most public service information, NOAA argues that weather information is of little use unless it can be delivered early and in a useful form.

The Administration has supported limited expansion of NOAA research activities since--even where the scientific knowledge base may exist--the concrete benefits to be gained are not that apparent. Likewise, in the past, expansion of NOAA's weather services--except for satellites--has been limited to those areas where potential benefits for improving the speed of data collection, analysis, prediction, and dissemination clearly exist. In the past NOAA has been willing to forego certain expansions in weather service activities but has held tenaciously to its base program.

This Division has desired over the last years to conduct a comprehensive review of weather service activities based on the belief that substantial savings could be identified in the base program. Pending the completion of that review we need to decide on a funding strategy for NOAA weather programs in FY '78.

Statement of Issue

Should Commerce be allowed in FY '78 a requested 6% increase in funding for new and expanded weather and climate related activities?

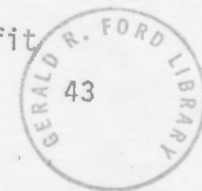
Pros.

-- Research

- New weather observations for offshore areas would be increased and ocean related technology would be fully developed.
- Research to better understand the climate, stratosphere, and Great Lakes environment would be expanded more rapidly to better predict climatic changes and related impacts on a national and global scale.
- The hurricane modification experiment, Project STORMFURY would be resumed with the potential of demonstrating methods for reducing the force of hurricanes.

-- Public Services

- Weather forecast and warning would be expanded so that more communities could benefit from "improved" weather services.



-- Specialized Services

- . Special agriculture weather services would be provided to 50 percent of the U.S. agriculture areas not now receiving such services "in order to reduce related crop and livestock losses by approximately \$800 million annually."

Cons.

-- Research

- . It is not apparent that any attempts have been made to trade off proposed climate, atmosphere, and ocean related weather initiatives against other ongoing research activities or prioritize them in terms of their potential long term payoff.

-- Public Services

- . Many of the requested additional forecast and warning activities are incremental in nature and, generally, will not advance the weather services significantly. Likewise, some of the proposed expansions would increase NOAA's activity in an area that is the primary responsibility of other Federal agencies, states and localities.
- . The weather service has grown significantly over the last 10 years and, accordingly, until a thorough review of the program can be conducted, further program expansions should be constrained.

-- Specialized Services

- . An expanded agriculture service has the potential to prevent crop and livestock losses. Nevertheless, it is not certain that the desired results would be achieved especially since accurate long range forecasts are crucial. Such an extension service might also be more appropriately carried out by the Department of Agriculture's funds if it is such a valuable program to farmers.

Alternatives

- #1. Request a 6% increase over the FY '77 funding level for weather activities in FY '78. This option seeks an increase of \$18 million in 1978 over the 1977 level to:



- . increase research activities by 18% over the 1977 funding level in the areas of marine weather observations, satellite technology, stratosphere, climate and hurricane modification; and initiate a new Great Lakes environment study.
- . increase general public services by 4% over the 1977 funding level to continue the satellite program and provide additional equipment for weather observations, emergency power for weather stations, a new river forecast center, completion of the community preparedness program, a mass computer storage system, and a new climate center.
- . increase specialized services by 14% over the 1977 funding level by expanding agriculture services.

Program reductions totaling \$10 million would be proposed as follows:

- . Cancel a satellite launch (\$6M);
 - . Reduce funding for procurement of computer equipment (\$2M);
 - . Terminate research centers and selected activities (\$1M); and
 - . Stretch out world weather program (\$1M). (Agency Request)
- #2. Allow minimal growth (+2%) in FY '78 over the FY '77 level. This option would allow for:
- . A 5% increase in research funding which would provide limited support for all of the proposed initiatives except for Project Stormfury;
 - . A 2% increase for general public services to continue the satellite program, improve existing weather observations, install emergency power in most of the proposed stations, establish a new river forecast center and limited climate center and install mass storage system. Expansion of the community preparedness program would not be allowed.
 - . No increase for agriculture weather service.

Except for the deferral items, the program reductions (\$9 million) in Alt. #1 would be accepted. (OMB Recommendation).

#3. Allow for no program increases and impose an additional 2% in program reductions.

Analysis

	1976		1977		1978		1979		1980		1981		1982	
Budget Authority/Outlays (\$ in millions)	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0
Weather and Atmosphere Program:														
Alt. #1 (Agency Req.)	317	308	344	337	366	336	366	360	366	370	366	366	366	366
Alt. #2 (OMB Rec.)	317	308	344	337	352	340	352	350	352	352	352	352	352	352
Alt. #3	317	308	344	337	330	320	330	330	330	330	330	330	330	330

Agency Request

(Difference from Alt. #1 (Agency Request))	1978 Outlays	1979 Outlays
(Alt. #2 (OMB rec.)	+ 4	-10
(Alt. #3	-16	-30

Agency Request: Alternative #1. The Department believes that it should continue to address its weather and atmosphere research and service objectives. They provide not only better tools for understanding and predicting climate and atmosphere changes over the long run but also expand and improve general and specialized weather services to decrease loss of life and property. NOAA strongly opposes any reductions in its weather program because of the "political" problems involved in closing weather stations and adverse impacts on forecasting accuracy and warning dissemination.

OMB Recommendation: Alternative #2. This recommendation provides for limited expansion and continuation of research and public service activities. The research allowance does not allow for the resumption of Project STORMFURY. NOAA should be able to meet its primary mission of providing general public weather service within this funding level. The Division recommends against any major increases in the weather program until a zero base review is conducted.

1978 Budget
DOC/NOAA
Weather and Atmosphere
(BA in \$ Millions)

Activities	1972	1975	1976	1977	1978		Percentage of total Funding Level
	Actual	Actual	Actual	Appro. to Date	DOC Req.	OMB Recom.	
Research and Development	40	60	56	55	65	58	16-21%
Public Forecasts and Warning Services	135	198	233	260	270	266	68-74%
(Satellite Services)	(33)	(60)	(72)	(84)	(86)	(86)	(17-24%)
Special	22	25	27	28	32	29	8-11%
Total	197	284	317	344	366	352	
Satellite Services as % of increase		31%	36%	44%	9%	25%	
FTP Employment, End of Year	6,736	6,741	6,705				
DOC Request				6,995	7,108		
OMB Recom.				6,775		6,794	

1978 Budget
Department of Commerce
National Oceanic and Atmospheric Administration/Weather and Atmosphere
Issue #3: Weather and Atmosphere Program
(P.L. in \$ millions)

Activity	1976	I.O.	Pres. Budget	Cong Appro.	DOC Request Alt. #1	1977			DOC Recom Base	DOC Request Alt #1	1978		1979	
	Actual	Actual				OMB Recom. Alt #2	Low Option Alt #3	OMB Recom Alt #2			Low Option Alt #3	DOC Request Alt #2	OMB Recom Alt #3	
<u>Basic environmental Services:</u>														
Basic observations	59.8	15.7	61.2	61.2	61.2	61.2	61.2	61.6	65.5	63.3	60.0	65.5	63.3	
Basic communications	8.6	2.2	10.1	10.1	10.1	10.1	10.1	9.8	9.8	9.8	9.6	9.8	9.8	
Basic weather analysis and predictions	19.6	7.6	22.3	22.3	22.3	22.3	22.3	22.3	21.2	21.9	19.5	21.2	21.9	
Maintenance and repair	19.7	4.7	19.6	19.6	19.6	19.6	19.6	19.9	21.2	20.9	19.2	21.2	20.9	
Subtotal	107.6	30.2	113.1	113.1	113.1	113.1	113.1	113.7	118.7	115.9	108.3	118.7	115.9	
<u>Environmental satellite services:</u>														
Operations	28.1	8.7	30.1	31.3	31.3	31.3	31.3	32.9	32.3	32.2	30.0	32.2	32.2	
Basic environmental service support	25.1	6.5	32.9	32.9	32.9	32.9	32.9	32.9	32.5	32.5	31.9	32.5	32.5	
Environmental warning support	13.1	5.7	21.4	20.3	20.3	20.3	20.3	20.3	21.5	21.5	19.9	21.5	21.5	
Development and application	4.8	1.3	5.4	5.4	5.4	5.4	5.4	5.4	8.2	7.4	5.3	8.2	7.4	
Subtotal	71.1	22.2	89.8	89.8	89.8	89.8	89.8	91.4	94.4	93.4	87.1	94.4	93.4	
<u>Public forecast and warning serv:</u>														
Public weather services	51.7	10.8	50.2	50.2	50.2	50.2	50.2	50.7	50.7	50.7	49.2	50.7	50.7	
Marine prediction services	4.0	1.0	3.9	4.6	4.6	4.6	4.6	4.7	4.7	4.7	4.5	4.7	4.7	
Harricane and tornado warning	6.0	1.6	11.5	10.3	10.3	10.3	10.3	10.7	11.6	10.7	10.1	11.6	10.7	
River and flood forecast and warning	9.5	2.4	10.2	10.2	10.2	10.2	10.2	10.3	11.0	10.7	10.0	11.0	10.7	
Subtotal	71.2	15.8	75.9	75.4	75.4	75.4	75.4	76.4	78.0	76.8	73.8	78.0	76.8	

1978 Budget

Department of Commerce
National Oceanic and Atmospheric Administration/Weather and Atmosphere

(P.L. in \$ millions)

Activity	1976	T.Q.	Pres. Budget	Cong. Appro.	1977			1978				1979	
	Actual	Actual			DOC	OMB	Low	DOC	DOC	OMB	Low	DOC	OMB
					Request Alt. #1	Recom. Alt. #2	Option Alt. #3	Recom Base	Request Alt. #1	Recom Alt. #2	Option Alt. #3	Request Alt. #2	Recom Alt. #3
<u>Specialized environmental services:</u>													
Air pollution and fire	2.9	0.8	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.1	3.3	3.3
Agriculture	2.5	0.6	2.6	2.6	2.6	2.6	2.6	5.5	2.6	2.6	2.6	5.5	2.6
Aviation	20.8	5.2	21.5	21.5	21.5	21.5	21.5	21.7	21.7	21.7	21.1	21.7	21.7
Upper atmosphere and space	5.4	1.3	5.0	5.0	5.0	5.0	5.0	5.2	6.8	6.4	4.9	6.8	6.4
Subtotal	31.8	8.0	32.3	32.3	32.3	32.3	32.3	32.8	37.2	34.0	31.7	37.2	34.0
<u>Environmental Data and Information</u>	16.0	3.7	15.6	15.6	15.6	15.6	15.6	15.8	17.3	16.8	15.3	17.3	16.8
<u>Air Quality Observations and Analysis</u>	1.7	0.4	1.8	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.9	1.9
<u>Weather Modification</u>	9.9	4.8	7.0	6.5	6.5	6.5	6.5	5.2	10.4	5.2	5.1	10.4	5.2
<u>International projects:</u>													
Global atmospheric research	5.8	1.7	6.5	6.5	6.5	6.5	6.5	6.5	5.5	6.5	5.4	5.5	5.5
International field year for Great Lakes	1.6	0.5	1.8	1.8	1.8	1.8	1.8	1.8	--	--	--	--	--
Great Lakes research	--	--	--	1.0	1.0	1.0	1.0	1.1	3.0	2.0	1.0	3.0	3.0
Subtotal	7.4	2.1	8.3	9.3	9.3	9.3	9.3	9.5	8.5	8.5	6.4	8.5	8.5
Total - P.L.	316.7	87.2	343.8	343.7	343.7	343.7	343.7	346.7	366.4	352.5	329.5	366.4	352.5
B.A.	316.7	87.2	343.8	343.7	343.7	343.7	343.7	346.7	366.4	352.5	329.5	366.4	350.5
O.	308.0		320.0	320.0	337.0	337.0	337.0	326.0	336.0	340.0	320.0	320.0	320.0
FTP, End of Year	6,705	--	6,668	6,995	6,995	6,775	6,668	6,995	7,108	6,794	6,668	7,108	6,794



ISSUE #4

Issue Paper
Department of Commerce
National Oceanic and Atmospheric Administration
1978 Budget
Issue #4: Marine Programs

Background

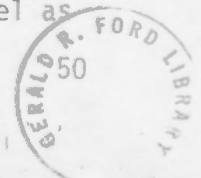
Over the past few years Congress has enacted legislation--most recently the Fisheries Management and Conservation Act of 1976--which has significantly increased Commerce's responsibilities for the conservation, management, and development of marine resources. These responsibilities are administered by the National Oceanic and Atmospheric Administration (NOAA). NOAA conducts marine programs in the following areas: fisheries resource management and development, marine mammal and endangered species conservation, environmental assessment, and marine technology development and calibration. Commerce sees its role to be one of taking appropriate steps to insure that marine resources will be properly conserved and managed, while at the same time encouraging private sector investment in the development of marine resources.

Secretary Richardson recently asked the President to endorse a plan which calls for 67% expansion, by 1985, of NOAA's fishery program to further increase the availability of fish products, develop recreational pursuits, and improve the position of the domestic fishing industry. The Department also strongly believes that expansion of its non-living marine related environmental and resource development activities would benefit the economy and the nation. The Department argues that in light of the increasing concern over man-induced effects on the ocean's ecosystem and the availability of new sources of energy and minerals that these new areas warrant greater attention.

In the past the Administration has supported NOAA marine programs where they have been addressed toward specific national problems and have shown some demonstrable benefit. At the same time, the notion that marine or ocean programs in and of themselves should be pursued because they represent a national priority or objective, has been opposed. Likewise, we have opposed, in the past, Commerce's proposed initiatives for supporting activities that should be more appropriately supported by other Federal agencies, states, localities and the private sector. The NOAA marine programs do, however, have strong Congressional support and efforts are underway on the Hill to create a Department of Oceans.

Statement of Issue

Should the NOAA marine programs be expanded in 1978 by more than 7 percent over the FY '77 level as proposed by Commerce?



Pros.

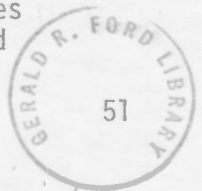
- ° This level of funding would represent a major initiative on the part of the Administration and demonstrate a commitment to carry out "ocean responsibilities."
- ° Fishery management practices under the Fishery Conservation and Management Act of 1976 would be improved and additional information for the protection of marine mammals and endangered marine species would be developed at an accelerated rate.
- ° Additional applied research on ocean problems would be provided through Sea Grants. The evaluation of the environmental effects on marine resources--both living and non-living--of man's use of oceans would be expanded in more selected areas.
- ° Private sector investment in marine technology, i.e., ocean engineering and marine mining, would be encouraged.

Cons.

- ° The program increases proposed in the marine initiative may not produce the desired objectives or benefits, nor produce any significant advancement of scientific knowledge.
- ° Major program increases will result in a large program base that may be difficult to control, let alone reduce, in the outyears.
- ° The Federal role in overseeing, regulating, and subsidizing particular industrial sectors, (i.e., fishing and ocean mining industries) would be expanded.
- ° NOAA would be able to expand its efforts in areas (e.g., environment and marine recreation) where a major share of the costs should be borne by other Federal agencies, states, local governments, and users.

Alternatives

- #1. Expand NOAA marine programs significantly in FY '78 with a 7% increase in funding over 1977. Under this option, 1977 appropriations of \$9 million for the construction of two fisheries research vessels and implementation of an underwater laboratory program would be deferred until 1978. In 1978 there would be \$2 million in program reductions and \$19 million in



in program increases for new and expanded marine programs as follows: (1) fishery resources management, conservation, and development (+\$9M), (2) Sea Grant (+\$2M), (3) ecosystems analysis and ocean dumping (+\$5M), and marine technology (+\$4M). (Agency Request).

- #2. Maintain FY '78 funding for NOAA marine programs at current levels. Under this option in 1977 the ship deferral proposal would be accepted, but the appropriation for the ocean laboratory would be proposed for rescission. In 1978 NOAA would primarily receive adjustments to base and program increases limited to fishery resource management, conservation, and development (+\$5M) and environmental assessments (+\$3M). NOAA would not be allowed to (1) fully expand fisheries statistics activities and stock surveys (-\$4M), (2) expand the Sea Grant program (-\$2M), (3) initiate a major Puget Sound ecosystem study (-\$3M) or (4) establish an ocean engineering research program and expand marine mining activities. (OMB Recommendation).
- #3. Reduce funding for NOAA marine programs in FY '78 by 7 percent below the current funding level. Under this option, in FY '78 NOAA would be allowed no adjustments to base or program increases and would have to absorb \$4 million in additional reductions in lower priority areas such as the fishery statistics program, sea grant advisory services, and aquaculture development program.

Analysis

Budget Authority/Outlays (\$ in millions)	1976		1977		1978		1979		1980		1981		1982	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Marine Programs:														
Alt. #1 (Agency request)	113	114	141	134	151	132	163	155	175	160	185	170	220	200
Alt. #2 (OMB rec.)	113	114	139	134	139	143	139	140	139	139	139	139	139	139
Alt. #3	113	114	139	134	129	138	129	130	129	129	129	129	129	129

Agency Request

(Difference from Alt. #1 (Agency Request))	1978 Outlays	1979 Outlays
(Alt. #2 (OMB Rec.)	+11	-15
(Alt. #3	+ 6	-25



Agency Request: In his letter transmitting the Department's 1978 budget request Secretary Richardson states: "it [request for marine programs] is the minimum amount I believe is required to demonstrate credibility to the Congress that we are indeed serious about our ocean responsibilities."

Commerce believes that its request is necessary to carry out its various responsibilities such as implementing the Fishing Conservation and Management Act of 1976, protecting further endangered species and fishing habitats, and resolving marine related problems through the Sea Grant program. In addition Commerce believes that its ocean ecosystem and dumping studies should be expanded to develop better baseline data for long term monitoring and to address special problems arising out of ocean dumping at new sites. In the area of marine technology and deep seabed minerals, Commerce argues that it should not only expand its environmental activities, but should also further develop the related ocean technology in order to be in a firm position to assist private industry in the development of mineral and other marine resources.

OMB Recommendation: Alternative #2. The Division's recommendation would constrain the growth of the NOAA marine program since it is not that apparent that benefits will result from the proposed initiatives. The ocean laboratory is an unnecessary and undirected program that will cost an estimated \$20 million at a minimum over the next five years, if it is allowed to go forward. In 1978 the Department would be allowed major expansion into new areas (i.e., environment and marine technology). NOAA's role in the ocean environment should not be expanded beyond long term monitoring and limited research with national applicability. States, local units, and other Federal agencies, e.g., EPA have the responsibility to protect the ocean environment along state shores. Any major increases for Commerce's marine technology initiatives should be delayed until the appropriate Federal role and lead agency is determined in deep seabed mining development. Likewise, it is not apparent why Federal investment in ocean engineering research and development is necessary to encourage private sector investment.



1978 Budget

Department of Commerce
National Oceanic and Atmospheric Administration/ Marine Programs
Issue #4: Marine Programs
(P.L. In \$ millions)

	1976	T.Q.	1977					1978			1979		
	Actual	Actual	Pres. Budget	Cong. Appro.	DOC Request Alt. #1	OMB Recom. Alt. #2	Low Option Alt. #3	DOC Recom Base	DOC Request Alt. #1	OMB Recom Alt. #2	Low Option Alt. #3	DOC Request Alt. #1	OMB Recom Alt. #2
<u>Fisheries and Living Marine Resources</u>	(61.0)	(16.8)	(70.9)	(73.3)	(73.3)	(73.3)	(73.3)	(74.0)	(80.8)	(76.9)	(70.7)	(87.0)	(76.9)
Resources assessment, monitoring and prediction	16.8	4.3	20.1	20.1	20.1	20.1	20.1	20.3	25.1	22.2	20.1	26.6	22.2
Conserving marine resources	15.6	4.1	16.9	17.1	17.1	17.1	17.1	17.2	18.2	18.1	17.1	21.0	18.1
Restoring and increasing fishery resources	11.3	2.6	11.5	11.7	11.7	11.7	11.7	11.9	11.4	11.9	11.2	12.0	11.4
Managing and using fishing resources	16.6	5.5	21.9	24.0	24.0	24.0	24.0	24.1	25.7	24.2	21.8	27.0	24.2
Fisheries financial support services	.9	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<u>Ship Support Services</u>	(16.0)	(4.6)	17.8	(26.8)	(19.3)	(19.3)	(19.3)	(27.3)	(27.7)	(27.7)	(27.7)	(20.2)	(20.2)
Ship operations	10.8	2.8	12.2	13.6	13.6	13.6	13.6	13.6	13.2	13.2	13.2	13.2	13.2
Ship base operations	5.2	1.8	5.6	13.2	5.7	5.7	5.7	13.7	14.5	14.5	14.5	7.0	7.0
<u>Sea Grants</u>	25.9	13.6	23.1	27.7	27.7	27.7	27.7	27.7	29.7	27.7	26.8	32.0	27.7
<u>Marine Ecosystems Analysis and Ocean Dumping</u>	10.1	1.6	7.8	7.8	7.8	7.8	7.8	7.9	13.1	10.4	7.9	14.0	10.4
<u>Marine Technology</u>	3.5	1.3	4.3	5.3	3.8	3.8	3.8	5.3	8.9	3.9	3.8	10.0	3.9
Total - P.L.	116.7	37.9	123.9	140.9	131.9	131.9	131.9	142.2	160.2	146.6	136.9	163.2	139.1
B.A.	112.7	36.2	123.9	140.9	140.9	139.4	139.4	133.2	151.2	139.1	129.4	163.2	139.1
O.	114.0	35.0	117.0	131.0	134.0	134.0	134.0	120.0	132.0	143.0	138.0	155.0	140.0

Personnel Levels

FTP, End of Year	2,213	--	2,200	2,653	2,653	2,313	3,300	2,653	2,720	2,335	2,200	2,800	2,335
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