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THE WHITE HOUSE

WASHINGTON

November 19, 1975

MEMORANDUM FOR: JIM CANNON
FROM: GEORGE W. HUMPHREYS *GW*
SUBJECT: TUNA/PORPOISE PROBLEM

Another issue is brewing that has the potential of being more controversial than coyotes.

Last week, the National Marine Fisheries Service (a Federal agency under Commerce, charged with, among other duties, regulating the activities of American fishermen) announced its decision that would, in effect, allow tuna fishermen to continue a practice that results in the incidental killing of 150,000--200,000 porpoises per year.

Under the Marine Mammals Act of 1972, the industry was given two years in which to curtail the porpoise deaths associated with tuna netting, and two extensions were granted. (The Act called for reaching a porpoise death rate "approaching zero"). To date, little evidence of improvement has been noted, and the battle lines are being drawn now between the interested citizen groups on the one hand and the fishing industry friends on the other.

I am preparing a full background discussion for you and should have it ready next week. In the meantime, I thought you should be aware of the subject matter.

11-19-75

THE WHITE HOUSE
WASHINGTON

Jim,

My estimate of the emotional impact of this problem rests, in part, upon the fact that porpoises talk, have names, appear on television, and eat fish out of the hands of little children.

George

THE WHITE HOUSE

WASHINGTON

November 20, 1975

MEMORANDUM FOR: JIM CANNON
FROM: GEORGE W. HUMPHREYS *GW*
SUBJECT: NOAA Marine and Weather Programs

You asked for comments on the above budget items for your meeting with the President.

The National Oceanic and Atmospheric Administration, under the Department of Commerce, has as its basic mission to explore, map and chart the global ocean and its living resources and to manage, use and conserve these resources. Additionally, NOAA must describe, monitor and predict conditions in the atmosphere, ocean, sun and space environment, while warning against impending destructive natural events.

Marine Programs

While agreeing with OMB that NOAA does not justify its need for a \$15 million increase for across the board program expansion, I urge that you support a minimum number (\$1-\$2 million) for research directed at the marine fisheries industry. This would be most helpful, for instance, in meeting the demand to reduce the porpoise kill without placing an undue burden on the commercial fisherman. We still do not know enough about our marine fisheries to be sure that our management programs are adequately designed.

Weather Programs

OMB recommends increased funding for "essential approved weather programs".

I agree, but they do not state a number.

Importantly, any efforts to expand our efforts in "weather modification" should be included in the high priority areas.

The OMB recommendation correctly reflected the fact that increases in civilian weather services are of doubtful value at this time.

Department of Commerce
1977 Budget
Issue #2: NOAA Marine Programs

Statement of Issue

Should we support a major expansion of Commerce's ocean related programs?

Background

There has been growing congressional interest, particularly in the Senate, directed at expanding Federal ocean programs. Senator Magnuson and Senator Hollings, through the National Ocean Policy Study group formed in 1974, have been looking into a myriad of ocean related issues. No specific legislative proposals have been forwarded, but the group is becoming a formidable lobby for ocean affairs and marine science.

The importance of the oceans to our security, economy, and our ability to meet increasing demands for food and raw materials has been underscored repeatedly. We have continued to support marine programs where they have been addressed toward these national problems and have shown some demonstrable potential solution or benefit. At the same time, however, the Administration has opposed the notion that marine or ocean programs in and of themselves represent a national priority or objective we should pursue. In many instances, however, the NOAA approach to marine programs has to the contrary been directed at studying the oceans because they are there.

Alternatives

- #1. Agency Request: Provide \$15 million increase in NOAA marine programs.
- #2. OMB Recommendation: Hold funding for NOAA marine programs to the fiscal 1976 program level, providing increases in high priority areas, offset by base program reductions.

Analysis

	1975		1976		July-Sept. 30, 1976		1977		1978		1979		1980		1981	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Budget Authority/Outlays (\$ in millions)																
Alt. #1 Agency Request	113	107	126	116	40	36	141	133	141	147	156	158	151	151	151	151
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Agency Request

<u>Difference from Agency Request</u>	<u>1977 Outlays</u>	<u>1978 Outlays</u>
OMB recommendation	- 13	- 22

Agency Request: The Commerce request would increase funding for marine programs by \$15 million or 12% over the fiscal 1976 program level. The request has been characterized as an "ocean development" initiative aimed at keeping abreast of environmental concerns and the impacts of major offshore developments, such as OCS oil and gas exploration and possible extended fisheries jurisdiction. NOAA believes that the time is ripe for a major push to strengthen our involvement in the oceans.

Discussion

While the Department has made some effort to single out and identify higher priority work which should be addressed in fiscal 1977, their overall proposal represents little more than a general across-the-board expansion of their existing marine program activities. In some areas, such as the manned underwater program and proposed Ocean Engineering Institute, additional funding would lay the foundation for a future wet-NASA type of program. In others, requested increases are clearly unjustified in light of the overall budgetary guidance for fiscal 1977: relocation of a fisheries research center and new initiatives in ship construction to meet research demands which have yet to be defined. Finally, we continue to see program proposals, particularly in the fisheries area, which are geared toward using the taxpayers dollars to support research and development activities which should be borne by private industry.

We believe that some of the NOAA request should be funded in fiscal 1977, so that it can conduct essential ocean dumping work, build a base for extended fisheries management, and carry out critically needed research on endangered marine mammals. The Department's request, however, fails to provide any indication that lower priority work is either being phased out or redirected to meet some of these higher priority demands in fiscal 1977. We believe that much of this work can be accomplished within the current funding level by reducing efforts on commercial fisheries development activities and in funding for lower priority Sea Grant research. Reduction in base programs will, however, be strongly opposed by the Department.

OMB Recommendation: Alternative #2. We see no compelling reason for supporting a general expansion of Federal marine programs at this time. NOAA has sufficient base funding to carry on critical work which is directed at specific national problems.

1977 Budget
Issue #3: NOAA Weather Programs

Statement of Issue

Should there be further expansion of climate prediction and general weather forecast and warning programs?

Background

At the current fiscal 1976 program level, civilian climate and weather forecasting services are costing about \$313 million. While these services are viewed as essential to public safety and important to weather sensitive industries, it is not clear how much of an improvement in forecasting is needed. We have generally reached the point where substantial investments in data acquisition and computer modeling will be required to gain small incremental improvements in forecasting accuracy. This is particularly true in the climate prediction area.

Changes in climate and weather conditions can have dramatic economic and social impacts. There has been a great deal of recent concern expressed about the release of industrial wastes, fluorocarbons, and nitrogenous fertilizers into the atmosphere. The levels of pollution are low, but they could have a deleterious effect on the earth's protective ozone shield and thereby contribute to climatic fluxuations. Further studies in this area are continuing through funding not only in NOAA, but in NSF and other Federal agencies.

Alternatives

- #1. Agency Request: Provide a \$30 million increase for NOAA climate and weather programs.
- #2. OMB Recommendation: Provide increased funding only for essential approved weather programs to continue uninterrupted data gathering, with some offsetting reductions in general base program activities to spur productivity improvement.

Analysis

Budget Authority/Outlays (\$ in millions)	1975		1976		July-Sept. 30, 1976		1977		1978		1979		1980		1981	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Agency Request	282	268	313	289	84	75	343	324	349	356	339	341	326	326	320	320
OMB Recommendation	282	268	313	289	84	75	336	316	330	345	325	338	317	329	314	322

Reduction from
agency request

- 7 - 8 -19 -11

Commerce's proposal for fiscal 1977 is greatly constrained by the fact that \$16 million of the requested additional funding is necessary to provide for procurement and launch support of weather satellites. Without this funding, there is a risk of losing satellite coverage of the U.S. The weather imagery from satellites has become a key factor in the preparation of weather analyses and predictions. Beyond the satellite funding the Department has requested funding for expansion of its specialized agricultural forecast services and to cover reimbursable costs for aircraft hurricane reconnaissance. Several other increases have been requested in ongoing program activities.

The general problem with the NOAA approach to funding weather programs is the belief that public safety suffices as a justification for unconstrained program growth. We continue to question, however, proposals for expansion of prediction activities with minimal gains in accuracy. There also appears to be little effort to control the large number of weather observers and stations throughout the country, even though it should be possible to eliminate some of these as a result of technological advancements that have been made. Further, a number of weather warning systems are under GAO scrutiny as being redundant. Finally, specialized services for particular identifiable users are pushed by NOAA with no effort to have these users share in the cost of these services.

We believe that NOAA could do more to control the cost of weather services. Before further funding is committed to weather or climate activities there is a need to establish that there is a real benefit to be gained, and also that the current base of weather activities is essential and efficient. In the climate area, where concerns are world wide, it may be possible to encourage other countries to share in the cost of the research which needs to be done.

Agency Request: Commerce requests an increase of \$30 million, which it considers to be the minimum acceptable level to fund its highest priority activities. Commerce notes that it reduced its request from a \$48 million increase to a \$30 million increase to reach its reduced outlay target, and that it purposely took reductions in other program areas in order to protect these NOAA programs.

OMB Recommendation: Alternative #2. Given the questions regarding the efficiency of the current programs and the benefits from new efforts, OMB recommends against expanding civilian weather services and the climate program. OMB recommends increased funding for satellite and radar procurement and for reimbursable funding to DOD for aircraft hurricane reconnaissance. These increases will be partially offset by an effort to increase productivity throughout the weather observation network. This may result in the closing of some weather stations.

THE WHITE HOUSE
WASHINGTON

November 20, 1975

MEMORANDUM FOR: JIM CANNON
FROM: PAUL LEACH *Paul*
SUBJECT: Budget Review For
Treasury, Commerce
and SBA

I assume that you will have had a chance to examine the summary information in the budget book and consequently I will limit myself to the issues.

TREASURY

1. Level of IRS Activities

This is a highly technical "management" issue which I would let OMB and Treasury fight out between themselves.

2. Level of U.S. Customs Service Activities

This too is a technical issue, but the arguments seem to favor the OMB position, i.e., that increased productivity can be achieved with no major increase in resources.

COMMERCE

1. Ship Construction Program

I would recommend support for the OMB position, i.e., lower funding. It appears that the recovery in ship construction demand will be more gradual and that the OMB funding level will be sufficient.

2. NOAA Marine Programs

I defer on this to George Humphreys (I have supplied him with the budget book materials).

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2. NOAA Marine Programs

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3. NOAA Weather Programs

Again, I defer to George Humphreys.

4. Economic Development Administration

I would recommend approval of the OMB recommendation, i.e., reductions in planning and research, technical assistance and economic adjustment program funding totalling \$21 million below the EDA/Commerce recommendation. While it is not certain that the proposed reductions can be sold on the Hill, they should be tried since the programs provide relatively small substantive benefits.

SMALL BUSINESS ADMINISTRATION

1. Management Assistance and Portfolio Management

I would recommend support for the OMB position, which provides for some increase in people and funding --- but does not provide all that SBA requests.

2. Lease and Surety Bond Guarantee Programs

I would recommend support for the SBA position on this issue. In a time of budget tightness, the lease and surety guarantee programs seem to be low cost programs with political/symbolic value which outweighs any benefit to be gained from a reduction in budget levels.

Commerce

1977 Presidential Review
Department of Commerce
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TAB A Summary tabulation of the 1977 Budget amounts requested and recommended.

TAB B Summary of the principal budget decisions reflected in the OMB recommendation.

TAB C Issue Papers

<u>Issue</u>	<u>Effect of issue on outlays (dollars in millions)</u>	
	<u>1977</u>	<u>1978</u>
1. Ship Construction Programs	-19	-40
2. NOAA Marine Programs	-13	-22
3. NOAA Weather Programs	- 8	-11
4. Economic Development Administration	+11	-17

TAB A

Department of Commerce
1977 Budget
Summary Data

	(In millions)		<u>Employment, end-of-year</u>	
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Full-time Permanent</u>	<u>Total</u>
1975 actual	1,793	1,583	28,711	35,719
1976 February budget	1,783	1,789	28,649	35,454
enacted	2,241	1,957	XXX	XXX
supplementals recommended	--	--	XXX	XXX
agency request	2,249	1,965	29,063	36,045
OMB recommendation	2,243	1,958	28,906	35,888
OMB employment ceiling	XXX	XXX	28,712	35,517
TQ February budget	422	451	XXX	XXX
enacted	444	531	XXX	XXX
supplementals recommended	--	--	XXX	XXX
agency request	444	532	XXX	XXX
OMB recommendation	444	526	XXX	XXX
1977 July planning target	1,856	2,049	XXX	XXX
October planning target	XXX	2,175	XXX	XXX
agency's initial request	1,894	2,273	29,857	37,467
agency's reduced request	1,746	2,175	29,376	36,970
OMB recommendation	1,622	2,138	28,663	36,049
1978 OMB estimate	1,785	2,003	28,650	36,200

TAB B

1977 Budget
Department of Commerce
Summary and Background Information

Agency Request

The initial agency request was generally quite constrained, with the exception of a \$95 million increase in the program level for the National Oceanic and Atmospheric Administration (NOAA). Commerce clearly gives high priority to expansion of NOAA programs relative to other program areas. Other programs had modest increases, although Commerce assumed a strong resurgence in demand for the ship construction subsidy program to return it to the pre-1975 levels.

Commerce was given a revised outlay target of \$2,175 million. The revised target represented a reduction of \$64 million from our estimate of a 1976 adjusted base level, and a reduction of \$98 million from Commerce's initial request. The Commerce revised submission included about \$35 million of "unreal" or unacceptable outlay reductions, including \$19 million by pushing outlays into 1978 and 1979, and \$15 million by simply not estimating any costs for subsidies for Russian grain shipments. They proposed a substantial base reduction in the Economic Development Administration (EDA) and small base reductions in the Domestic and International Business Administration and the Travel Service. All other programs were to be continued at or above the 1976 base, and there was still a \$43 million increase for NOAA.

OMB Recommendations

Of the Commerce requested budget for 1977, about 80% of the outlays are for the Maritime Administration (MARAD), NOAA and EDA. Therefore, any major reduction effort has to focus primarily on these three program areas. Program reductions in EDA and MARAD result in very small first year outlay savings because of the slow spending on these grants and contracts.

Other program areas offer some opportunities for reductions, but for a variety of reasons it is not very feasible or desirable to make major reductions in programs such as the Census Bureau, the Patent Office and the Office of Minority Business Enterprise.

The OMB recommendations do not accept Commerce's \$35 million in unreal reductions. We do recommend accepting its base reduction proposals. We also have recommended further program reductions of \$120 million, providing \$72 million in outlay savings.

These additional reductions from the revised Commerce request were obtained by:

- Eliminating funds for all new initiatives and almost all program expansions except for essentially mandatory increases like the 1980 census. Several high priority initiatives or program expansions may be desirable, but would have to be funded through reprogramming.
- Reducing the Maritime ship construction program to more realistically reflect the expected demand for subsidies to build new ships.
- Assuming productivity increases in on-going service programs (Patent Office, Weather Service, continuing Census surveys) to reduce positions and dollars.

The OMB recommendations would result in reductions in the program level totalling \$214 million, or about 10%, below the current base. Outlays would be reduced by 4.5% below the current base; this is a 13% reduction in controllable outlays.

The only major program reduction is in EDA, which would be cut by 35% from the 1976 level. The OMB recommended levels for other programs would not result in any significant reductions in public services and would permit continuation of high priority activities.

Areas of Expected Disagreement With Commerce

We expect Commerce will have strong objections to the OMB recommendations regarding:

- . Ship construction subsidies;
- . No expansion of NOAA programs; and
- . Some of the reductions in EDA.

These issues are discussed under Tab C.

Commerce also may appeal on other small issues:

- . The recommended allowance for the Domestic and International Business Administration, which includes no funds for a new Sao Paulo trade center or for any other program increases, such as for export control administration;

- . The proposal to transfer \$3 million and 10 positions from the Office of Minority Business Enterprise to SBA as part of an effort to rationalize the minority enterprise assistance programs; and
- . The reduction of 82 positions for the Patent Office, to reflect productivity improvements.

1977 Budget
 Department of Commerce
 Summary of Recommended Program Reductions
 (\$ in millions)

	1976		TQ	1977			1978	
	0	FTP Employ.		0	BA	0	FTP Employ.	0
Current base	1,963	28,915	531	1,837	2,200	28,887	2,146	28,874
Recommended level	<u>1,958</u>	<u>28,906</u>	<u>526</u>	<u>1,622</u>	<u>2,138</u>	<u>28,663</u>	<u>2,003</u>	<u>28,650</u>
Reduction	5	9	5	215	62	224	143	224

Program reductions:

Ship construction subsidies, reduce . .	4	-	4	67	19	-	40	-
Economic development programs, reduce . .	1	9	1	138	34	79	93	79
NOAA marine and weather programs, reduce	-	-	-	5	5	92	5	92
Miscellaneous small reductions	-	-	-	5	4	53	5	53
Total reductions	5	9	5	215	62	224	143	224

TAB C

Maritime Administration
1977 Budget
Issue #1: Ship Construction Program

Statement of Issue

What is the appropriate focus and level of funding for the ship construction differential subsidy (CDS) program, considering shipyard employment trends, national defense needs, and probable demand for new ship construction?

Background

The CDS program subsidizes price differentials between vessels built in U.S. yards and vessels built in foreign yards. Traditionally, the cost of U.S.-built vessels has been 50-100 percent higher than comparable foreign-built vessels. Average program level has been about \$250 million. In 1975, CDS was budgeted for \$286 million, but only \$102 million was obligated. The 1975 obligation shortfall resulted from the current over-supply of oil tanker capacity and general economic recession and unprofitability of U.S. flag carriers.

Alternatives

- #1. Agency Request: Provide funds in 1976-1977 to encourage continued expansion of the ship construction industry based on an assumed resurgence of ship construction demand.
- #2. OMB Recommendation: Provide funds in 1976-1977 based on an estimate that recovery of ship construction demand will be gradual. Target funds, where possible, to cushion shipyard unemployment problems.
- #3. Provide funds only for ship types most suitable for national defense purposes.

Analysis

Program Level/Outlays (\$ in millions)	1975		1976		July 1-Sept. 30, 1976		1977		1978		1979		1980		1981	
	PL	O	PL	O	PL	O	PL	O	PL	O	PL	O	PL	O	PL	O
Alt. #1 (Agency req.)	102	241	255	246	2	63	267	281	267	275	267	272	267	270	267	267
Alt. #2 (OMB rec.)	102	241	175	242	2	59	200	262	200	235	200	212	200	206	200	200
Alt. #3	102	241	100	238	2	57	100	242	100	188	100	135	100	110	100	100
	<u>Difference From Agency Request</u>						<u>1977 Outlays</u>				<u>1978 Outlays</u>					
	OMB recommendation (Alt. #2)						-19				-40					
	Alt. #3						-39				-87					

Ship Construction Demand. Commerce and OMB disagree as to the likely recovery of ship construction demand in 1976-1977. Commerce believes that there are over \$1.2 billion in probable ship construction projects--principally liquefied natural gas carriers and cargo containerships. OMB doubts the validity of the Commerce estimates because: (1) in the past there has been poor correlation between Commerce projections of potential projects and ships actually funded; and (2) no projects have yet been signed in FY 1976 and no projects are now in the process of finalization--i.e., all projects are tentative and consequently it is unlikely that Commerce will be able to contract for \$255 million in 1976.

Shipyard Employment. Commerce contends that the CDS program must be maintained at a minimum of \$250-300 million because U.S. shipyards need work and some shipyards have already passed the point where additional shipbuilding contracts were needed to avert employee layoffs. OMB believes that the following points are relevant to discussions of shipyard employment:

- Shipyard employment has steadily increased at the 24 largest commercial yards--from 74,400 in January 1971 to 97,000 in July 1975 (+31%). It may be unrealistic to try to maintain shipyard employment at the current high level.
- The CDS program accounts for only 25-30 percent of commercial shipyard orders and backlog. Navy accounts for over 50 percent and consequently is more determinative of employment trends. Private unsubsidized shipping accounts for the balance of 20-25 percent.

- Moderate shipyard employment decreases are projected, under all alternatives, between 1975 (a peak year) and 1977. Provision of different CDS levels in 1976-1977 has negligible effect on shipyard employment in this period because of long lead times before construction begins. Increasing CDS in 1976-1977, therefore, cannot cushion probable employment reductions. Between 1977-1980, shipyard employment is projected to increase substantially under all three alternatives, largely as a result of anticipated Navy contracts.

Projections of employment levels at 11 major shipyards are shown for each alternative:

(Estimated Employment in Thousands of Employees)

	June 1975		June 1976		June 1977		June 1978		June 1979		June 1980	
	Total	From New CDS	Total	From New CDS	Total	From New CDS	Total	From New CDS	Total	From New CDS	Total	From New CDS
Alt. #1	31.8	--	26.4	--	24.0	1.1	32.9	6.9	35.6	10.3	35.6	10.3
Alt. #2	31.8	--	26.4	--	23.7	0.8	31.2	5.1	32.5	7.7	33.4	7.7
Alt. #3	31.8	--	26.4	--	23.3	0.4	28.5	2.5	28.0	3.8	30.2	3.8

National Defense. Some commercial ship types are more suitable than others for national defense purposes. Those considered most suitable are small tankers, barge carriers, heavy lift ships and "roll on/roll off" containerships. Those considered less suitable or unnecessary are large tankers, containerships which require special loading/unloading facilities, dry bulk carriers, and liquefied natural gas carriers. Of 58 new ships contracted for since 1970, Commerce indicates that 64 percent can be used in direct support of military forces. Of Commerce's listing of potential ship projects, about 55 percent fit that criteria. Therefore, if it were decided that CDS support should be limited to ships most suitable for defense (alternative #3), the implication would be that the program level should be cut by approximately half.

Agency Request: Alternative #1. Commerce believes that ship construction demand will recover dramatically and therefore requests \$255 million for 1976 and \$267 million for 1977. Commerce indicates that even greater construction demand could develop and that supplemental funds should be requested if that happens. The Commerce request would fund about 22 ships in the two years, 1976-1977.

OMB Recommendation: Alternative #2. This entails program levels of \$175 million in 1976 and \$200 million in 1977. OMB's estimates of ship construction demand are lower (and, we believe, more realistic) than those of Commerce. Shipyard employment does not vary appreciably among the different program levels. The recommendation would fund about 15 ships in the two year period.

The OMB recommendation would require deferral of \$72 million of currently available funds, for use in 1978. Commerce argues that Congress is not likely to accept such a deferral unless ship construction demand is clearly lacking. Commerce indicates that \$200 million in 1976 and \$250 million in 1977 are "rock bottom" levels which it could defend before Congress (these program levels would not require deferral of funds into 1978).

Department of Commerce
1977 Budget
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Statement of Issue

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Background

At the current fiscal 1976 program level, civilian climate and weather forecasting services are costing about \$313 million. While these services are viewed as essential to public safety and important to weather sensitive industries, it is not clear how much of an improvement in forecasting is needed. We have generally reached the point where substantial investments in data acquisition and computer modeling will be required to gain small incremental improvements in forecasting accuracy. This is particularly true in the climate prediction area.

Changes in climate and weather conditions can have dramatic economic and social impacts. There has been a great deal of recent concern expressed about the release of industrial wastes, fluorocarbons, and nitrogenous fertilizers into the atmosphere. The levels of pollution are low, but they could have a deleterious effect on the earth's protective ozone shield and thereby contribute to climatic fluxuations. Further studies in this area are continuing through funding not only in NOAA, but in NSF and other Federal agencies.

Alternatives

- #1. Agency Request: Provide a \$30 million increase for NOAA climate and weather programs.
- #2. OMB Recommendation: Provide increased funding only for essential approved weather programs to continue uninterrupted data gathering, with some offsetting reductions in general base program activities to spur productivity improvement.

Analysis	1975		1976		July-Sept. 30, 1976		1977		1978		1979		1980		1981	
	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0	BA	0
Budget Authority/Outlays (\$ in millions)																
Agency Request	282	268	313	289	84	75	343	324	349	356	339	341	326	326	320	320
OMB Recommendation	282	268	313	289	84	75	336	316	330	345	325	338	317	329	314	322

Reduction from
agency request

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Commerce's proposal for fiscal 1977 is greatly constrained by the fact that \$16 million of the requested additional funding is necessary to provide for procurement and launch support of weather satellites. Without this funding, there is a risk of losing satellite coverage of the U.S. The weather imagery from satellites has become a key factor in the preparation of weather analyses and predictions. Beyond the satellite funding the Department has requested funding for expansion of its specialized agricultural forecast services and to cover reimbursable costs for aircraft hurricane reconnaissance. Several other increases have been requested in ongoing program activities.

The general problem with the NOAA approach to funding weather programs is the belief that public safety suffices as a justification for unconstrained program growth. We continue to question, however, proposals for expansion of prediction activities with minimal gains in accuracy. There also appears to be little effort to control the large number of weather observers and stations throughout the country, even though it should be possible to eliminate some of these as a result of technological advancements that have been made. Further, a number of weather warning systems are under GAO scrutiny as being redundant. Finally, specialized services for particular identifiable users are pushed by NOAA with no effort to have these users share in the cost of these services.

We believe that NOAA could do more to control the cost of weather services. Before further funding is committed to weather or climate activities there is a need to establish that there is a real benefit to be gained, and also that the current base of weather activities is essential and efficient. In the climate area, where concerns are world wide, it may be possible to encourage other countries to share in the cost of the research which needs to be done.

Agency Request: Commerce requests an increase of \$30 million, which it considers to be the minimum acceptable level to fund its highest priority activities. Commerce notes that it reduced its request from a \$48 million increase to a \$30 million increase to reach its reduced outlay target, and that it purposely took reductions in other program areas in order to protect these NOAA programs.

OMB Recommendation: Alternative #2. Given the questions regarding the efficiency of the current programs and the benefits from new efforts, OMB recommends against expanding civilian weather services and the climate program. OMB recommends increased funding for satellite and radar procurement and for reimbursable funding to DOD for aircraft hurricane reconnaissance. These increases will be partially offset by an effort to increase productivity throughout the weather observation network. This may result in the closing of some weather stations.

Department of Commerce
1977 Budget
Issue #4: Economic Development Administration

Statement of Issue

What should be the funding strategy for the Economic Development Administration (EDA)?

Background

In February 1974 the Administration proposed legislation to replace the EDA system of Federally directed categorical development programs with a system of formula allocated block grants to States. In lieu of accepting the Administration's proposal in its entirety, Congress modified the existing legislation to incorporate new programs which embodied several aspects of the Administration's proposal. This included a small formula grant program to States and a new block grant program for economic adjustment assistance. The Administration this summer proposed a bill to further extend this legislation for an additional three years. The 1976 budget for EDA provided adequate funding to permit rapid start up of the new programs while reducing the old categorical programs slightly. Congress added \$71 million for EDA in 1976 to increase the program to \$383 million. Increases were made in both the old categorical programs and the new programs.

Alternatives

- #1. Agency Request: Eliminate funding for the new State formula grant program, and reduce funding below the 1976 budget request for all other programs except planning and research.
- #2. OMB Recommendation: Reduce funding below the Commerce request by reducing planning and research and further reductions in technical assistance and economic adjustment.

Analysis

Budget Authority/Outlays (\$ in millions)	1975		1976		July 1 - Sept. 30, 1976		1977		1978		1979		1980		1981	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
	Agency Request	257	242	383	276	95	78	266	253	266	352	266	309	266	275	266
OMB Recommendation	257	242	380	275	94	77	245	264	245	335	245	297	245	270	245	245
Difference From Agency Request			-3	-1	-1	-1	-21	+11	-21	-17						

Agency Request: Commerce proposes to reduce funding by \$117 million below the 1976 level provided by Congress. It would do this by reducing public works grants by \$53 million; providing no funds for the new State formula grant program (\$20 million in 1976); reducing the new block grant economic adjustment assistance program by \$18 million; reducing the business development loan and guarantee program by \$18 million; and by making other small reductions of \$8 million. In addition to these program reductions, the agency recommends delaying obligation of 1976 and Transition Quarter funds until the end of the Transition Quarter to push outlays beyond 1977. In this manner, Commerce estimates 1977 outlays can be reduced by \$19M. The Commerce recommendation is made under its revised planning ceiling. In the absence of this guidance, the agency would have proposed a program for EDA \$63 million higher than this alternative.

OMB Recommendation: OMB recommends accepting the Commerce proposal to reduce funding by \$117 million and recommends that the funding be decreased by an additional \$21 million. Of the total reduction of \$138 million, \$86 million would be taken from the old categorical programs and \$52 million from the new block grant and formula grant programs. Commerce and OMB agree that the new programs should be reduced because Congress is more likely to accept the total reduction if both the old and new programs are decreased. The additional reductions proposed by OMB would be obtained by decreasing the planning program by \$4 million to hold it to the 1976 budget request level, and decreasing technical assistance, research, economic adjustment block grants and administrative costs by \$17 million below the Commerce request.

Of the recommended reductions, those likely to engender most opposition in Congress are the public works and the planning programs. The reduction in public works by \$53 million below the level of

appropriations, is not expected to adversely affect economic development in the country. EDA has continued to utilize much of the public works funds for general community improvement projects despite the long standing Administration position that such funds should be used exclusively to create long-term jobs in areas of chronic unemployment or low income. Also, there should be a reduced need for EDA funded public works as a result of the \$500 million recently provided by the Job Opportunities Program, and the availability of funds for public works through the HUD development grant program.

The recommended funding for planning is likely to be strongly opposed both by Commerce and the Congress. Congress added funds in 1976 to provide planning funds for more Economic Development Districts, and Commerce plans to use these funds to assist an additional 57 districts in 1976. The funds requested for planning in 1977 would maintain the expanded level in that year. The OMB recommended level for planning provides funds sufficient only to maintain the 144 districts that now exist. Moreover, related to this recommended planning level in 1977, this alternative recommends seeking a rescission of the funds provided to support additional planning districts in 1976. No programmatic justification has been presented which would support an expansion of the district program. We are informed, however, that House Appropriations Subcommittee Chairman Slack considers this a high priority item.

OMB recommends against delaying program obligations in 1976 in order to push outlays into 1978 and beyond. The agency proposal would decrease 1977 outlays by \$19 million, but it would increase 1978 and 1979 outlays substantially and make it more difficult to reach acceptable outlay targets in those years.