

**NATIONAL SEA GRANT**  
**ALLOCATION COMMITTEE # 3**

**REPORT TO THE NATIONAL SEA GRANT ADVISORY BOARD**

September 23, 2013

## **NATIONAL SEA GRANT ALLOCATION COMMITTEE # 3**

### **Table of Contents**

#### Introduction

A brief recap of perceived problems with the current allocation Process

NSGO Director's Charge to AC-3

AC-2's Principles

AC-2's Recommended Allocation Policy Framework

Unresolved (and/or unrecognized) "issues" from AC-2

Concluding Summary Table of AC-3's Recommendations

#### Rationale for Recommendation

Preserve a Program in Every State

"Needs" Based

Minimum Allocation

Regional Research

Merit Pool

Total Direct Allocation to Programs

Impact of Inflation and the Declining Purchasing Power of the Federal

Budget Appropriations

"Needs" Defined

Needs Criteria Override

#### National Funding

#### Phase-in Period

#### Other Alternatives Considered

#### Charts in the appendix

#### Concluding Comments

## **THE NATIONAL SEA GRANT ALLOCATION COMMITTEE 3's REPORT**

### **Introduction**

The National Sea Grant Advisory Board's Allocation Committee 3 was created by the National Sea Grant Director to once again try to address a long standing problem of a rational allocation of annual appropriations among the state programs. This question was first addressed back in 2003 with AC -1 and, when that recommended solution did not resolve the issues, was addressed again by AC -2 in 2010. AC -2 created a conceptual framework and a set of guiding principles for a budget allocation process but did not delineate the details of how to achieve such. To this end the NSGO Director asked the Advisory Board to create yet another committee to finalize a recommendation.

The AC-3 Committee comprised the following people:

Dick Vortmann, National Sea Grant Advisory Board: Committee Chairman  
Dick West, National Sea Grant Advisory Board  
Bill Stubblefield, National Sea Grant Advisory Board  
Frank Beal, National Sea Grant Advisory Board  
Sylvain DeGuise, Sea Grant Association (President Elect)  
Jonathan Pennock, Sea Grant Association (Past President)  
Jim Eckman, Sea Grant Association  
Mike Liffmann, National Sea Grant Office  
Jonathan Eigen, National Sea Grant Office  
Joshua Brown, National Sea Grant Office (staff support, non voting member).

The Committee engaged in significant email dialog over a three month period, analyzing previous studies, drafting position papers, discussing and debating issues and narrowing the range of relevant options. This productive effort culminated in an intensive two day in-person meeting at NSGO headquarters in August. At that time the Committee reached broad consensus and produced the recommended strategies and timetables presented in this Report.

### **A brief recap of the perceived Problems with the current allocation Process**

*(A non prioritized list extracted form previous reports)*

1. There are significant differences in the amount of funding each state program receives
  - i. These differences largely correlate to the age of the program
  - ii. More recent programs receive far fewer dollars
2. There is no defensible logic supporting the current allocation process
  - i. Other than "that is how it has always been"
3. The current process is difficult to explain and defend to Congress when seeking appropriations

4. Federal funding for the total S/G program has in recent years been relatively flat in nominal dollars and has been declining in real dollars (i.e. purchasing power dollars)
5. This “inequity” between the individual programs’ funding was addressed in the AC-1 (2003) with the corrective actions being largely based on the use of the growth in annual appropriations
6. The corrective solution proved ineffective as there was little if any annual budget growth in nominal dollars
7. The current “inequity” problem has been exacerbated by the decline in the total appropriated dollars measured in real dollars
8. The decline in purchasing power allocations to the “smaller budget” programs increasingly threatens the viability of the three product line S/G model
  - i. The objective of research spending being at least 40% of the total state program has become difficult to achieve (that target having already been reduced of necessity from 50%)
  - ii. At some point the dollars available for each of the three product lines do not allow for viable /cost effective products
  - iii. The basic minimum administration cost of a state program has tended to remain fixed in real dollars (as cost of living increases have been given)
    1. This consumes a steadily increasing % of the state’s total nominal dollar allocation
    2. At some point, it becomes difficult to justify a small program due to its excessively high program administrative costs with little money left over for real product
9. Only a minority of the total Federal funds are awarded amongst state programs based on merit or competition in the current allocation process.
  - i. Criticism in Congress that this is simply a state “block grant” program
10. There is no “needs” basis to justify allocation amongst the state programs in the current process
11. There is no mandate for regional research or cooperative efforts between individual programs to address regional needs
12. Current mandated cap of 5% on administrative costs at NSGO
  - i. With the cost of minimum staffed administrative effort growing in nominal dollars, with a relatively flat total Federal S/G budget in nominal dollars, the result is fewer people at NSGO to effectively administer the national program

**NSGO Director’s Charge to AC 3:**

Purpose: to develop a strategy and timeline for implementing the funding allocation principles recommended by the NSGAB second allocation committee (AC-2).

Charge to AC-3: building on the work of AC-2, AC -3 should develop a series of strategies and timelines to adopt and implement the allocation frame work.

**AC 2's Principles:**

Maintain the National Network (i.e. a program in every state)

Preserve the Sea Grant Model (i.e. the three “product” model)

Funding to State Programs:

Statutory limit: no state can receive more than 15%

Need-driven

Competitive

Merit- based

Stable funding to manage program (i.e. a set minimum funding to each program)

Institutionalize regional research

Program Directors retain discretion within their program, help set regional priorities

Total state budgets strive for 40% research

**AC 2's Recommended Allocation Policy Framework (% numbers are all of 100%)**

**State (75% Federal Funds)**

- ii. Base to program –Needs Based (**50%** Federal Funds)
  - 1. Administration/Extension/Education/Communication/ Research
  - 2. Fair and equitable needs based distribution of funds to state programs
- iii. Regional Competitive Research (**15%** Federal Funds)
  - 1. Regionally funded NSIs; competitive among states within region
  - 2. Total determined by needs based allocation by states within region
- iv. Merit Pool – Competitive (**10%**)
  - 1. Administration/Extension/education/communication/ Research
  - 2. Competitive based on past performance
- v. Total state budgets should strive for 40% research

**National (25% Federal Funds)**

- vi. Competitive National Programs
    - 1. fellowships
    - 2. National Strategic Investments
  - vii. NSGO
- (AC-2 did not sub-allocate this 25%)*

## **Unresolved (and /or unrecognized) “Issues” from AC -2:**

When AC-3 began addressing its task, it became apparent that there were several unresolved or unrecognized issues inherent in AC-2’s recommendation. These were identified as follows:

Given a declining total S/G budget (in real dollar terms) the principle of preserving the network (i.e. having a program in every state) is in conflict with the principle of preserving the three product model (particularly when the “research” product is intended to be at least 40%)

The desire to have stable funding to manage programs (i.e. a minimum level of funding to be cost effective) is at odds with the goal of preserving a program in every state.

“Minimum level” was never defined but this becomes a critical input variable in any recommended allocation methodology.

If all you have to work with for the “needs based” state pieces is 50% of the total national budget (per the above table: i.e. you can not include the 15% Regional competitive nor the 10% merit pool as there can be no assurance each program will win their prorata share of such), then given our status quo total budget of \$63m, we only have \$31.5m to work with, or an average of only \$954,000 per program.

The desire to include a significant regional research component (15%) plus a national competitive research component is in conflict with the needs to maintain stable funding at each program.

In the extreme, do we want regional competitive research if it means we might have to close down some programs because we can not keep them at the minimum funding for cost effectiveness?

This holds true for the national competitions as well as the proposed regional competitions.

There was no conceptual outline of how regional competitive research activity would be conducted.

Having two states with two programs each, makes it more difficult to achieve these principles

Continuing to expand the National program with two “new” Coherent Area Programs (Guam and Lake Champlain) increases the budget challenges. Maintaining these two, and for certain, increasing them by any of our formulas or principles, will necessitate larger reductions elsewhere.

## **Concluding Summary Table of AC-3’s Recommendations**

*(%’s are all of 100%)*

<u>AC 2’s Recommendation</u>	<u>AC 3’s Recommendation</u>	<u>Current %</u>
<u>State (75% of Federal Funds)</u>	<u>State (77.5% of Federal Funds)</u>	<u>76 %</u>
<b>Base to prog. –Needs Based (50%)</b>	<b>Base to prog. Needs Base (61.5%)</b>	<b>70%</b>
Administration/Extension/Education/ Communication/ Research	Administration/Extension/Educ. Communication/ Research	
Fair and equitable needs based distribution of funds to state prog.	Fair and equitable needs based distribution of funds to state prog.	
<b>Regional Competitive Research (15%)</b>	<b>Regional Research (10%)</b>	<b>0%</b>
Regionally funded NSIs; Competitive among states within region Total determined by need based allocation by states within region	Funds given directly to states based on need, but Programs commit to 10% for regional projects (geographically, thematic, or other agency )	
<b>Merit Pool – Competitive (10%)</b>	<b>Merit Pool – Competitive (6%)</b>	<b>6%</b>
Administration/Extension/education/ communication/Research Competitive based on past performance	Administration/Extension/education/ communication/Research Competitive based on past perform. Adjusted to reflect base need allocat.	
(state budgets to <u>strive</u> for 40% research)	(state budgets to <u>achieve</u> 40% research)	
<u>National (25% Federal Funds)</u>	<u>National (22.5% Federal Funds)</u>	<u>24%</u>
Competitive National Programs	Competitive National Programs	
Fellowships	Fellowships	<u>1%</u>
National Strategic Investments	National Strategic Investments (Includes Congress Directed Investments)	<u>18%</u>
NSGO ( no % within “National” given)	NSGO (% within National total to be at discretion of NSGO, but with annual presentation to SGA & NSGAB of NSGO %) (Any NSGO % above current 5% is viewed as an investment to achieve a larger total Fed. Budget with lead time)	<u>5%</u>

### Rationale for Recommendations

The following section explains more fully the Committee's discussion, logic and rationale for the conclusions embodied in the above percentage table. This section also presents some qualifiers around those conclusions.

### **Preserve a Program in Every State**

Given the declining Federal budgets (as measured in purchasing power or "real" dollars") the Committee had extensive discussion on the conflict between the desired principle of maintaining the Sea Grant "network" (currently manifested by a program in every state) and the desired principle of maintaining the Sea Grant "three product" model. The difficulty, at current budget levels, of maintaining cost effective three products in the smaller budget states and maintaining the desired 40% commitment to research was recognized.

The Committee discussed the alternative of preserving the network and the three product model at the expense of collapsing some of the smaller budget state programs into one or more regions, each of which would administer multiple states and preserve a three product model presence in all states. It was recognized the resulting savings of administrative costs from the consolidation of state programs would help the preservation of the network and the three product model. It was also recognized, as a negative offset, there might be some loss of state matching funds.

The Committee ultimately concluded that while the Federal budget situation is currently grave, it is not yet sufficiently grave to recommend a partial regionalization of the network. However, it was recognized that the Committee's task was to develop a budget allocation process that was sufficiently robust to serve S/G well in increasing, static and declining budget scenarios. It was concluded that while the above recommended process would serve S/G well in increasing budget years, it would not at all function well given a significantly reduced budget, nor given a series of small but steady declining budget years, nor even a series of consecutive static budgets where the real dollar purchasing power continued to erode. If any of such budget scenarios were to occur, it is the recommendation of AC-3 that the NSGO Director work with the National SG Advisory Board and SGA, perhaps by forming an AC-4, to determine how to optimally structure a limited regional approach to maintain the national network of a three product model "presence" in every coastal state.

### **"Needs Based"**

After considerable discussion, the Committee concluded that the budget allocations to the state programs would be based on a measure of "needs". This is consistent with what AC 2 recommended and addresses the failure of agreement in AC 1 that the "historic budget based" budget inequities would be addressed though the use of overall Congressional Budget Appropriations increases (which never occurred in sufficient magnitude to solve the problem).

"Needs" is to be a measurement of the underlying demand in each state, relative to other states, for S/G's product and services. There was substantial discussion of the criteria to measure needs. However, it was first concluded that if total Federal funding was



sufficient, the first priority “need” for a successful National Program was to maintain a program in every state and, importantly, to provide each state a program with at least the minimum budget allocation to provide a cost effective three product S/G program.

### **Minimum Allocation to Each State**

After significant discussion, and given the pragmatic limitation of a current \$63 million total budget, it was concluded this minimum number would be \$800,000. For the two Coherent Area Programs this number will be a maximum of \$400,000 depending on their development status. These dollar numbers are to be increased each year by inflation, as reflected by the national consumer price index (CPI).

It was quickly recognized for there to be sufficient funds to have a meaningful “needs based” distribution amongst programs above the “minimum” allocation, there had to be sufficient total funds in the “State” total line in the above Percentage Chart. AC 2 recommended only a 50% allocation directly to the programs, with another 15% for Regional Competitive awards managed by NSGO and another 10% for merit awards (yielding a total to the states of 75%). However, in distributing budget based on needs these 15% and 10% pools would not be available for such distribution since they will be awarded by NSGO based on competition. Thus, there is no certainty as to what each program would receive from these two pools.

Consequently, the Committee conclude it was necessary to modify AC 2’s recommendation in the below discussed respects.

### **Regional Research**

The 15% for competitively awarded Regional Research recommended by AC-2 would be changed to 10% and, importantly, it would not be competitively awarded and managed by the NSGO. Instead this 10% would be allocated directly to the programs together with the 61.5% base dollars, based on the same needs criteria.

The programs would be obligated to spend this additional 10% on a “regional basis”, with such being defined as i) cooperative efforts across the existing geographic regions, ii) cooperative efforts amongst any states on a “thematic” basis, or iii) in a cooperative effort with another NOAA agency. This modification from AC-2’s recommendation put more budget allocation directly into the state programs, with certainty, for their planning and personnel decisions.

### **Merit Pool**

The Merit pool was extensively discussed, including the extreme of completely eliminating it. At the end it was recognized that the presence of a competitive merit pool was a critical ingredient to satisfy Congress’s concern that S/G was not simply a state block grant award program. Thus a 6% merit pool was concluded.

This 6% together with the National Competitive programs of approximately 18-19% generates 25% of the total S/G annual appropriation being allocated competitively amongst the programs.

Importantly, the merit pool will be awarded based on evaluated performance, but will then be adjusted to reflect the differences in the states “needs based” base allocation. If all Programs were to earn an equal evaluation score, then all programs would get the same percentage merit “adder” to their “needs” based base allocation. Thus, given an equal evaluated performance score, a large needs based state would get a larger dollar allocation from the merit pool than the equally evaluation scored smaller need based state.

### **Total Direct Allocation to States**

Consequently, the funding distributed directly to the programs would be 71.5% of the total S/G appropriation (Base 61.5% & Regional 10 %.). This is slightly more than the current 70% the programs now receive, although it must be recognized that 10 percentage points of the 71.5 percentage points must be spent in a “regional” qualifying manner.

This 71.5% is first distributed by giving each state their minimum base funds of \$800,000. The two states which have two programs each would receive only one \$800,000 state wide distribution. This was decided to be consistent with the needs based criteria which measures “needs” at the state level. This distribution totals to be \$24 million across 29 states and two Coherent Programs. With a \$63 million total appropriation, 71.5% for the states is \$45million. Distributing the “minimums” totaling \$24 million leaves \$21 million to be distributed amongst the states based on “Needs”.

### **Impact of inflation and the declining purchasing power of the Federal budget appropriations**

As stated above, the basic minimum budget allocation to each program (i.e. the \$800,000) will grow each year with inflation (as measured by the National Consumer Price Index, or CPI). This is necessary to maintain the purchasing power of this “minimum” budget deemed necessary for a program to be minimally efficient and cost effective.

It is important to note that to achieve this inflation adjusted minimum, it will be at the expense of the remaining budget dollars available for distribution to programs on a needs basis. As indicated above, the current total budget of \$63 million leaves only \$21million to be dispersed amongst the programs based on the needs criteria. If the total Federal budget does not increase (or worse, if it decreases), then as the aggregate of the program minimum allocations increase due to inflation, there will be less dollars to disperse based on needs.

For example, if total Federal budgets remain constant over a period of time while inflation persist, the AC-3 budget allocation methodology would have all programs, despite their respective “needs”, trending to the inflation adjusted minimum funding level. Such a result is in direct conflict with the “needs” based principles. The consequence is that in order to preserve a program in every state at this (inflation adjusted) minimum budget level, we would be sacrificing all the large “needs” based programs.

At some point, given multiple years of static total budgets or decreased total budgets, this AC-3 allocation methodology quickly becomes unacceptable. Therefore, in order to preserve robust programs in the larger “needs” based states, if any state program’s proforma “needs” based allocation falls below the then effective minimum budget level, that program could be eliminated as a stand alone program and could be consolidated into an adjoining state program which would operate across both (or more) states as a regional program. The recipient state would get the aggregate of the two (or more) states needs based allocations.

AC-3 did not define where this critical budget cut off line should be. However, the Committee does recommend that any growth in the aggregate minimum allocations that comes at the expense of the aggregate “needs” based allocation (rather than from growth in the total Federal budget) be monitored very closely by the NSGO and the NSGAB to determine when action needs to be taken to convert from this AC-3 methodology to a new Regional operating approach for S/G.

### **“Needs” Defined**

The Committee spent considerable time in determining the best measurement of “needs”. It was recognized that for any criteria to be useful, it had to be highly relevant to the underlying causality to what S/G’s role is. A criteria had to be measurable, with readily available, objective data that reflected consistent measurements across all states and Great Lakes.

The discussion was heavily premised on S/G’s Vision and to a lesser extent its current Focus Areas (recognizing the Focus Areas are subject to change over time). The issue was to define what S/G does and then to determine who the constituents are of these S/G services and how to measure these “needs” across the states.

#### **S/G Vision:**

The National Sea Grant College Program envisions a future where **people** live, work and play along our **coasts** in harmony with the **natural resources** that attract and sustain them. This is a vision of coastal America where we use our natural resources in ways that capture the **economic, environmental and cultural benefits** they offer, while preserving their quality and abundance for *future generations*. (**Emphasis added**).

The Vision statement clearly emphasizes **people** (both current and future generations) and **coast line**. It was recognized that if there are no people present, then the aspect of coast line becomes far less relevant. Thus people should weigh much heavier than coast line.

The committee found it very difficult to develop any meaningful and consistent (across all states) data sets to measure natural resources, economic, environmental and cultural benefits. Many candidate metrics were discussed but all were ultimately rejected for one or more reasons.

For example, “fish” was debated but it was concluded that there were no readily available metrics which comprehended the different fish species, the value of such, wild fish versus aquaculture, and commercial fishing versus sport fishing. It was also recognized that a mandated catch limitation to preserve specie would unfavorably bias any use of catch or sales value of a catch.

It was also debated that the term “economic” might well be measured by GDP disaggregated to the coastal regions. However significant problems would remain. For example, consider the heavy impact say the “Wall Street” or “Hollywood” industrial/service sectors would have on certain states’ coastal GDP without having anything to do with the S/G’s mission. It was concluded that any necessary attempt to disaggregate the regional GDP by component industrial/services sectors would introduce unacceptable subjectivity as to the relevance of such sectors to S/G’s mission.

Another example which was debated was the possible use of number of universities engaged in marine related research or the number of PhD’s granted in the state. However, it was concluded that these are measures of “results”, responding to the “needs”, rather than the basic needs of the S/G mission. S/G’s mission of education is determined by the population needing the education.

At the end, it was recognized that overall, the issues of “economic, environmental and cultural benefits” expressed in S/G’s Mission were highly correlate to population and to a lesser extent to coast line. None of the several other variables that were discussed added any further clarity in differentiating the “need” for S/G services between states.

Consequently the Committee concluded that the best means of measuring relative “needs” ( i.e. the underlying demand for S/G’s products and services ) between the states was to use a straight forward metric of coastal population and tidal coast line, and after much discussion those two variables would be weighted 90 - 10 respectively.

Coastal population is to be measured by the Decennial United State Census, as calculated by the U.S. Census Bureau and wettable coast line is to be measured by NOAA’s Office of Coastal Resource Management.

### **Needs Criteria “Override”**

The Committee, while committed to the “Needs Based” allocation principle, recognized the fiscal challenges of the migration from the existing historical allocation basis to the new, “need based” basis. After much discussion, it was agreed that any severe dislocation to a program from the migration to this new budget allocation process should be partially mitigated. Thus, it was concluded that any program which, after the transition period (to be 8 years as discussed below), was to incur a reduction of more than 33% relative to its current allocation, that program would have its reduction capped at 33% and the 8 year transitional phase in allocations would be adjusted accordingly.

This tempering override will be funded by a corresponding override reduction for those programs whose eighth year allocation would be greater than it currently is under the historic allocation. These reductions would be spread across those programs prorata with their share of the total increase. It is acknowledged that these are artificial overrides on the underlying logic of our recommended needs based model. However it was concluded it was necessary and fair given the magnitude of the changes on some programs from the historic to the new, needs based allocation method.

This tempering override would be gradually phased out over the following eight year period (years 9-16) such that out in year 16, the allocation would be 100% based on the needs based methodology.

### **National Funding**

Currently 24% of the total Federal funds are held and administered by the NSGO. AC- 2 recommended this number be 25%. As seen in the above table, AC -3 set this number at only 22.5%, enabling more money for direct use by the State programs.

This 22.5% is intended for three separate uses by NSGO as follows:

- i) competitive national strategic initiatives ( this line item includes any Congressionally directed programs)
- ii) Fellowships
- iii) NSGO operating costs

Currently the NSGO operating cost budget is restricted by legislation to 5% of the total Federal funding. In our recommendation we granted the NSGO full discretion over the use of entire 22.5% reserved for “National”, with no percentage cap on NSGO.

This conclusion was reached after significant discussion on the issue of NSGO’s operating budget and the current constraint of 5%. There was concern that any growth in the NSGO budget would come at the expense of moneys that otherwise would be available to the state programs. At the same time it was well recognized that there was a need to restore some of the capabilities that have been lost by NSGO over recent years due to declining budget as measured in real dollars. It was also recognized that the NSGO, unlike the state programs, could not generate any external funding to compensate for their budget declines.

It was recognized that if the current legislative cap of 5% was to be relieved in the upcoming reauthorization, then under AC -3’s recommendation, NSGO could increase their budget up from this 5%. To give comfort to the state programs that any increase above 5% wouldn’t be totally unconstrained, the Committee’s recommendation is conditioned on the principle that each year the NSGO Director would present to the NSGAB and the SGA his budget in detail delineating his objectives for any spending in excess of 5%. It was recognized that any such increase above 5% would be viewed as an “investment”. NSGO will be held accountable for a return on this investment in the form

of greater productive integration with other NOAA offices and/or increased top line Federal budgets. It was further recognized that it would most likely take 2-3 for this investment to generate such returns.

AC -3 concluded that the National office fellowships and the National strategic investments would be managed by NSGO as done currently. Any spending for NSGO's operating expenses will have to come out of these other two line items.

### **Phase-In Period**

An eight year phase in period has been mentioned above. This eight year period was concluded upon after through discussion. Eight years was felt long enough to temper the challenge of migrating from the status quo, "historical" based allocation method to this new "Needs" base method. At the same time the eight year transition was still felt to represent a meaningful and defensible solution to the problems with the status quo budget allocation method.

The "tempering" mention above over the first years would be phased out pro rata over years 9-16. It was the Committee's recommendation that the transition to this new "needs" base methodology should commence as soon as possible. However, how it is phased into recurring planning cycles and recurring merit pool assessments is left to be determined by the NSGO Director.

### **Other Alternatives Considered**

The Committee considered and debated a wide array of other alternatives in addition to its final recommendation. The principal alternatives considered are listed below together with a very brief explanation of why these were rejected as being inferior to the final recommendation made.

1. Do nothing; it is the wrong time to be trying to address this overall problem.
  - a. This was felt to be simply unacceptable.
  - b. This has been the "solution" for the past 10 years. It was hoped the problem would simply go away with increasing Federal appropriations, or it was felt too dangerous to "rock the boat" at that sensitive time.
  - c. As a consequence the problem never got addressed and the situation continued to worsen with on going inflation and loss of purchasing power given the relatively static Federal appropriations that materialized.
  
2. Leave the existing allocation concept as is but raise all Programs currently below the \$800k minimum by prorata reductions to all Programs above the minimum.
  - a. This was felt to not address the majority of the problems with the current methodology and left the current indefensible "historic" system largely in place.

3. Create the “needs” based system but raise all programs’ resulting budget up to the minimum allocation by prorata reductions to all Programs above the minimum.
  - a. This differs from the final recommendation where all programs start off at the minimum and then are increased by the “needs” based formula
  
4. Create the “needs” based system and any program falling below the minimum allocation would be eliminated and consolidated into an adjoining state which would assume responsibility for the resulting “region” and provide on gong three product S/G services to the entire region.
  - a. This was rejected for now as being in conflict with premise of retaining, **if possible**, a program in every state.
  - b. **However, it was recognized, as discussed in the report, that without Federal appropriation increases over the near future, this alternative must be seriously considered and most likely implemented.**
  
5. The Final Recommendation but without the annual CPI adjustments.
  - a. This was rejected as while it addresses the problem today, it allows for the immediate reoccurrence of the problem as inflation deteriorates the real purchasing power and thus the cost effectiveness of the minimum allocation Programs.
  
6. The Merit pool is applied to the aggregate of the \$800,000 minimum allocation plus the needs based allocation (versus being applied to just the needs based allocation as in the Recommendation.)
  - a. This was rejected as it was further erosion on the needs based principle.

### **Charts in the Appendix**

The first chart depicts the declining purchasing power of the Federal appropriations over the last 40 years. Following that chart, there is a series of bar charts in the appendix to show the results of this AC- 3 Recommendation on the state programs. All charts share the same format, with annual budget dollars on the vertical axis and individual S/G Program Budgets listed on the horizontal axis. The individual program budgets are not identified by name. In all the AC -3 Committee work, the individual programs were only identified by a number, not by name, so the Committee did not see the resultant impact of its recommendations on any given program.

The programs are listed by number in the same order on each chart. That order represents the largest to the smallest program based on the current year’s budget allocation.

The first of these bar charts depicts the current budget allocation for each program. The next chart, containing two bars for each program, depicts the budget allocation by program for the first year under the AC -3 recommendations, compared to the status quo

(assuming for consistency the same total dollar Congressional appropriation as the current base year.)

The next chart shows similar data for year two under AC- 3 compared to year one. The last chart shows where each program's budget would be in year 8 under AC -3 compared to the status quo allocation today. (Again assuming eight straight years of constant level Congressional appropriations for simplicity of comparison). There is also two "data base" charts showing the source and data for the state by state population and coast line.

### **Concluding Comments**

The Committee, recognizing the magnitude of the Challenge they undertook, was comfortable and confident in its final product. The opinions and beliefs from the Committee's three separate constituent groups were all heard and well discussed. All participants agreed to, and did, put the overall best interests in the National Sea Grant program and its successful future above any parochial interests. At the end of this cooperative effort, a full consensus was reached on all the recommendations.

The Committee believes its set of recommendations is well integrated and cohesive and they very effectively address the many perceived problems with the current "historical" based budget allocation system. The Committee recognizes that its recommendations will create challenges to some of the state programs. It is intended that the long phase-in period will help mitigate those challenge. But, notwithstanding these challenges, the Committee truly believes this recommended budget allocation process will serve well the National Sea Grant Program, maximizes its ability to pursue its Vision and its ability to obtain sufficient Congressional funding for this pursuit.

### **Acknowledgements**

*The Committee acknowledges and thanks Joshua Brown from the Sea Grant National Office for his extensive research and analysis in support of the Committee's Report.*