

NATIONAL SEA GRANT COLLEGE PROGRAM

ALLOCATIONS FOR FY 1998 AND BEYOND

BACKGROUND

Funding allocations for individual programs for FY 1996 and 1997 derive primarily from decisions set out in a series of memos from the NSGO⁽¹⁾ establishing a "moratorium" on changes in allocations for individual programs. A policy memo dated September 20, 1996⁽²⁾, (as revised October 8, 1996) sets forth allocations for FY 1997 and important dates for proposal submission so as to establish a planning horizon for FY 1998. The purpose of this presentation is to establish guidelines and rationale for the allocation of appropriated funds for FY 1998 and subsequent years. Attached is a funding plan for FY 1998 that lists specific allocations based on these guidelines and our best estimates of FY 1998 appropriations. In each subsequent year a funding plan will be promulgated by the NSGO based on these guidelines and estimated appropriations for that fiscal year.

GUIDING PRINCIPLES

The principles listed below were developed after careful consideration of the National Sea Grant College Program Act (as proposed), the Ocean Studies Board Report, and various documents from the SGA, NSGO and NSGRP⁽³⁾. The principles represent the fundamental precepts for the rationale used to develop the funding allocation plan for FY 1998. The principles are articulated as follows:

- Sea Grant conducts research, education, and outreach to use and conserve coastal and marine resources for a sustainable economy and environment. (Mission Statement)
- Sea Grant is a university- and science-based partnership between NOAA and Sea Grant institutions.
- Long-term continuity and the presence of a locally-managed, university-based infrastructure greatly enhance "value" and are the basis for the overall strength and quality of performance of the Sea Grant Program.
- Provision of a stable funding base is essential to maintaining a sound local infrastructure. For statewide programs, the federal investment should be sufficient to maintain a balanced program of high quality.
- Mechanisms that maintain considerable open and healthy competition are essential to maintaining excellence and high levels of performance.

- Individual programs require a degree of local autonomy in order to best align local and national priorities with resource investment decisions.
- A merit review process in which programs are evaluated based on outcomes assessment is a legislative requirement and the results of that review should be reflected in funding allocations.
- Strategic investments at the national/regional (multi-program) level allow Sea Grant to address critical national issues at a much higher level of intensity and focus than is generally practical under a locally-distributed allocation scheme. Such investments also help promote research/outreach meritocracy across the network.

DESCRIPTION OF ALLOCATION PLAN

The allocation plan that follows is based on the above principles and the documents that support them⁽³⁾; the funding plan for FY 1997; a base budget of almost \$51 million after costs of administration, current obligations, network-wide projects and Administration imposed reductions. The allocation plan contains two major program elements: **Program Core Funding** and **National Strategic Investments**. These elements are discussed in detail below.

PROGRAM CORE FUNDING

The individual program core funding level is a predetermined funding allocation target for each program made in advance of a fiscal year. The core funding is intended to provide a continuum of support around which individual programs can plan and develop, providing both a basis for estimating the dollars available to a program in a given year and a target amount for omnibus proposals submitted to NOAA for that year. The core funding level for a given program consists of two components: the program's **base funding** and **merit funding**. Program base funding represents NOAA's investment in local infrastructure and addresses directly the stability of funding required by the Sea Grant Act. Merit funding is intended to reward program performance and is determined every three years. More detailed explanations follow below.

It is expected that by FY 2000, as an operating guideline, approximately 50 percent of the Federal funding for the program core will be distributed for research and education projects awarded competitively. No more than 10 percent of the Federal core funding may, in any one year, be designated for program development purposes. Programs may otherwise invest their core funding in accordance with state and national strategic objectives.

A. Base Funding

The base funding allocation for a program was made based on three considerations:

- **Omnibus Funding** - a fixed amount specific to each program that is equal to the FY 1995 moratorium funding level. This funding level is in recognition of the NOAA investment history and cumulative performance record that is the legacy of each individual program. As such, it carries the highest weight in determining the base funding level.
- **Program-Wide Adjustment** - a percentage increase to support the additional costs facing all Sea Grant programs in order to carry out their core programs as envisioned under Sea Grant's new procedures.
- **Small Sea Grant Program Adjustment** - an amount based on an assessment of additional resources needed by the smaller Sea Grant programs in order to enhance their capability to operate a strong, balanced program of research, education and outreach.

B. Merit Funding

In addition to the base funding for a given program, there will be additional merit funding adjustments determined according to performance in merit-based competition with peer Sea Grant institutions. These distributions will be made in the year after a program has been evaluated and will continue each year until the subsequent evaluation. The merit funding may then change (or disappear) based on the evaluation. It is expected that the overall merit funding pool will remain constant over a 3-year period and not exceed 10 percent, in the aggregate, of the entire amount allocated to the core funding.

NOTE: A program of merit-based distribution based on outcomes evaluation will not be in place during FY 1998. The NSGO, NSGRP and SGA will jointly be developing evaluation criteria and program elements to be implemented in FY 1999. It is expected that the first adjustments to merit funding will not be made until FY 2000. For FY 1998 and FY 1999, the funds assigned to the merit pool will be used for the development of multi-program/regional projects.

The total core funding then for FY 1998 and 1999 will consist of the program base plus multi-program/regional initiative funds for those years. In FY 2000, the multi-program/regional funds would become part of the merit pool.

NATIONAL STRATEGIC INVESTMENTS (NSI)

There will be set aside a fixed sum of approximately \$10 million that will be distributed to the Sea Grant Network on the basis of open competition among individual programs. These competitions would normally be open to proposals from all programs but competitions may also be restricted to regional initiatives in certain cases.

NSIs would be determined through several primary pathways, namely: Congress, the Administration, NOAA, and a national issues panel. The national issues panel will be established during FY 1997 with responsibility to advise the NSGO Director concerning opportunities for developing NSIs. It is expected that this panel will help establish a long-range plan and protocol for national initiatives in Sea Grant including the periodic evaluation of their effectiveness and quality.

For each NSI that is identified, the NSGO will be responsible for developing the RFP and infrastructure necessary to manage the initiative. Proposals for NSIs would be submitted to the NSGO in response to RFP's developed at the national level. It is intended that after several years there will be in place a process such that RFP's for NSIs would be promulgated at the same time as program omnibus RFP's and start dates for NSI awards would occur in the February/March time period of each fiscal year.

The rationale for NSIs is as follows:

- They promote research meritocracy, healthy competition throughout the network, and participation by the best investigators throughout the Sea Grant institutional universe.
- They allow Sea Grant to focus significant funds on high visibility, national issues.
- They provide a flexible mechanism for Sea Grant to respond to high priority issues and opportunities within NOAA and the Administration without disruption of the strategic objectives of individual programs.
- They provide a basis for demonstrating the utility of the Sea Grant model in enrolling the capability of the university community to address issues of importance to key national constituencies.
- They provide a highly visible platform of accomplishment from which to attract additional funding and promote research results.
- They provide a source of funds to enhance network-wide capabilities (e.g. research and development, education, MAS, and communications) that are generally not possible through the investment activity of individual programs.

National Strategic Investments for FY 1998

Several NSIs have been established primarily through Congressional mandate. The funding levels have been established for these programs, and they have in place a management infrastructure that will develop RFP's for FY 1997 that will continue through FY 1998. They include:

1. Nonindigenous species (including zebra mussels)
2. Oyster disease
3. Technology development and transfer (SBIR, NCRI)

There are a number of other programs that have been developed by the Sea Grant Network and will continue into FY 1998. These are specified in the funding plan for FY 1998 and include:

4. Knauss Marine Policy Fellowships and Sea Grant Industrial Fellowships
5. Historically Black Colleges and Universities Program
6. NSGO Program Development
7. Operation Pathfinder

Several new NSIs will be established in FY 1998 and continue for a period of 2 years. These will include:

8. National Outreach Program
A revolving fund, not to exceed \$500,000, will be established for network outreach initiatives. These initiatives are intended: to strengthen the Sea Grant outreach network; to enhance regional and multi-institutional network capabilities; to address new or developing regional issues and needs; to bring resources to high-visibility, high-impact issues, problems or areas; and to utilize, where appropriate innovative technologies to extend our "reach" to the public. The selection process will be RFP-driven and proposals from the network will be reviewed by a panel of outreach experts from outside Sea Grant who will advise the NSGO.
9. Sea Grant - NOAA Partnership Program
A revolving fund, not to exceed \$500,000, will be established for initiatives that are beneficial to the Sea Grant Network and also meet the identified needs of one or more NOAA line or program offices. NOAA offices will offer opportunities for joint initiatives that would be appropriate for Sea Grant to address and that would meet their

strategic needs; NOAA partners will be required to contribute a percentage of project costs.

10. National Strategic Initiatives

There will be a modest pool of uncommitted funds (about \$1.88M) to begin an additional NSI in FY 1998, to be selected according to the procedures outlined above.

OTHER CONSIDERATIONS

This allocation plan is based on the assumption of level funding by Congress and minimal recisions or reductions by the Administration at least over the three fiscal years likely to be encompassed in the next Sea Grant reauthorization bill. However, assumptions of constant funding are unlikely to be realized. The following guidelines establish a general protocol for large differences between a constant funding scenario and actual appropriations.

- In the event of a large decrease in appropriation, the first consideration is the maintenance of local programs. Therefore, the program base funding will receive first priority in allocation decisions.
- In the event of a large increase in non-specific appropriations, the first consideration is to increase the merit funding pool to an amount equal to 10 percent of the total core funding (program base plus merit funding). No distribution policy for increases beyond the above limit is being considered at this time.

Attachments

Citations

- (1) Bhumralkar, C. "Proposal for a Moratorium," May 26, 1995
Bhumralkar, C. "Moratorium Decision," June 13, 1995
- (2) Baird, R. "FY 1997 Allocations and Schedules," September 20, 1996
Baird, R. "Revised FY 1997 Allocations," October 8, 1996
- (3) National Sea Grant College Program Act (33 USC 1121 et seq.) (including proposed amendment to H.R. 1175)

Oceans Studies Board, April 14, 1994

Bhumralkar, C. "Ideas about Allocation of Funds," March 1, 1996

Malouf, R. et. al. "Allocation of Sea Grant Funds, a Draft Model Proposed for the Sea Grant Association," March 19, 1996

Kudrna, F. et. al. "Recommendations Concerning Allocation of Sea Grant Funds," NSGRP Allocation Policy Committee, June 26, 1996

Bucklin, A. et. al. "Funding Allocation Recommendations," SGA Mission Committee, June 28, 1996

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FY 1998 FUNDING PLAN

Fiscal Year 1998 will be the first year that the Sea Grant program is operating under "new procedures." The FY 1998 Funding Plan was prepared around several assumptions and NSGO decisions that we outline below.

ASSUMPTIONS

- Level Funding — Sea Grant receives an FY 1998 appropriation at the same level as in FY 1997 — \$54.3M. A higher or lower appropriation will require adjustments to this plan.
- Administration Reduction — We are assuming that Sea Grant will be charged in FY 1998 with a \$585K OMB-imposed reduction from Sea Grant's appropriation. This would be the same level as in FY 1997.
- NSGO Administrative Costs — These costs will remain at \$2.7M.
- Network Communications — We are assuming level funding for the three network communications efforts (\$367K): the National Sea Grant Depository in Rhode Island, the Maryland-based Network Media Relations project; and the South Carolina-administered *Sea Grant Abstracts* publication.

Based on the above assumptions, \$50.65M will be available for program grant awards in FY 1998. These funds will be allocated approximately as follows: Program Core Funding of \$40.51M; National Strategic Investment Funding of \$9.95M; and a small reserve of \$185K. Each of these components is explained below.

PROGRAM CORE FUNDING

Program Core Funding (\$40.5M) will consist of two components: a Base Funding allocation and a Merit Funding allocation (\$2.3M).

A. Base Funding

Base Funding is set at \$38.2M. This is an increase of \$325K from that allocated in the draft plan. This component will be the highest priority for protection in cases of funding cuts and, once set, remains fixed until overall budget considerations allow for network-wide upward adjustments.

B. Merit Funding

Merit Funding on a competitive basis will be brought on-line in FY 2000. By that time, the intent is to have procedures for programmatic review developed (FY 1997), tested (FY 1998), and formal programmatic reviews underway (FY 1999). We expect that the results of the FY 1999 programmatic reviews will be used to allocate the Merit Funding for the first time in FY 2000. The goal is to build up the pool of funds available for Merit Funding to an amount equal to about 10 percent of the Core Funding.

Meanwhile, in FY 1998 this pool of funds will be set at \$2.32M and will be distributed equally among all the programs at a level of \$80K per program (Col. 9). These funds are intended for continuation of Multi-Program and Regional projects initiated in FY 1997. We also expect to allocate at least the same amount, \$80K per program, in FY 1999 for Multi-Program and Regional projects.

NATIONAL STRATEGIC INVESTMENT

The National Strategic Investment (NSI) Funding consists of Continuing NSIs and New NSIs with most of the funding allocated by national competitions. In FY 1998, \$9.95M is being allocated for these purposes. Of this, \$7.08M will be used to continue programs underway, and \$2.88M will be used to initiate new programs.

B. Continuing NSIs

- Nonindigenous Species and Oyster Disease Research — Sea Grant has committed funding for nonindigenous species and oyster disease research through FY 1998. We plan to meet the Congressional intent to fund these areas at the level of \$2.8M and \$1.5M, respectively. We will have a national competition in FY 1997 to fund new projects and this national competition will be used to make funding commitments covering two years, FY 1997 and FY 1998.
- Technology Development and Transfer (NCRI) — We are allowing for an NCRI program in FY 1998, funded at the FY 1997 level of \$950K, with funding coming directly from the Sea Grant appropriation.
- Technology Development and Transfer (SBIR) — Sea Grant will continue to benefit from the Small Business Innovation Research program in that all SBIR funds contributed by Sea Grant (\$640K) will be used to support areas of interest identified by Sea Grant.
- Fellows Programs -- Both the Knauss Marine Policy Fellowships (\$360K) and the Sea Grant Industrial Fellowships (\$250K) will continue at approximately the same level as in FY 1997.

- Historically Black Colleges and Universities Program — FY 1998 will be the third and final year of our original investment (\$250K) for programs at five HBCU institutions. We have asked that the National Review Panel form a committee with members from the SGA and DOC to advise, among other things, on opportunities for future investment of these funds competitively.
- NSGO Program Development Funds — These are funds (\$275K) that were first set aside in FY 1996 to allow the NSGO staff to take advantage of opportunities that benefit Sea Grant nationally.
- Operation Pathfinder — FY 1998 is the final year of the original plan developed for Operation Pathfinder. Sea Grant supports one project directly (\$53K); NOAA and other federal agencies support four or five additional Pathfinder projects on a passthrough basis.

B. New NSIs

- We will fund three new National Strategic Investment programs in FY 1998 with total funding of \$2.88M. These include:
 - > the Sea Grant - NOAA Partnership Program (\$500K);
 - > a National Outreach program (\$500K);
 - > and one or more National Strategic Initiatives (\$1.88M) to be developed from a network-wide call for national issue proposals.

RESERVE FUNDING

As mentioned in the FY 1997 plan, we are keeping a reserve against possible contingencies, such as SBIR increases, Pennsylvania Sea Grant proposal, the Oceanic Institute claim and the possibility that we were not able to prepay in FY 1997 all the remaining FY 1998 "enhancement" awards as planned. Presently, this reserve totals \$185K.