



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Sea Grant College Program
1315 East-West Highway
Silver Spring, Maryland 20910

MAR 11 2003

MEMORANDUM FOR: Sea Grant Directors
University Direct Reports

FROM: Ronald C. Baird 

SUBJECT: Policy for the Allocation of Funds, FY 2003
and Beyond

The Sea Grant Act of 2002 contains language specific to the allocation of funds for the National Sea Grant College Program. In conformance with the Act, NOAA's National Sea Grant Office has established new guidelines for fund allocation. Those guidelines are encompassed in the attached policy document entitled, "**Policy for the Allocation of Funds, FY 2003 and Beyond.**" The new allocation policy is effective immediately and continues until superceded.

This policy was developed over the past year and a half beginning with the appointment of the allocation committee, a committee comprised of two members each from the Sea Grant Association, Sea Grant Review Panel and the National Sea Grant Office. During this time, the policy evolved based on considerable discussion with and input from the members of these three groups. In addition, the allocation of funds issue was discussed at length by Congress during the 2002 Sea Grant reauthorization hearings and these discussions were reflected in Sea Grant's 2002 legislation.

The intention of this new policy is to

- 1) encourage a high level of innovation, educational and scientific quality, and program impact;
- 2) bring the Sea Grant network to a consistent level of excellence nationwide in accordance with its legislative mandate and in support of NOAA's mission priorities;
- 3) provide a context for the distribution of funds so as to enable Sea Grant to exert national leadership to promote the wise use and conservation of coastal and marine resources.



My thanks and appreciation to members of the Sea Grant Association, the National Review Panel and the National Office for their collective contributions to the final product. I am confident that we have produced a transparent, practical and workable set of policy guidelines that will enhance our effectiveness as an organization.

Attachment

cc: L. Koch

**National Sea Grant College Program
Policy for the Allocation of Funds, FY2003 and Beyond**

I. Background

The National Sea Grant College Program Act of 1966 provided little guidance for the distribution of Sea Grant funds. The Act gave the National Science Foundation, the agency assigned to administer the National Sea Grant College Program, broad latitude regarding the distribution of funds with only one requirement, that "no state should receive more than 15% of total appropriated funds." Absent legislative guidance, the NSF, and in later years NOAA, applied peer review and open competition principles to establish the present network of Sea Grant institutions and colleges. Grant allocations among the states, then, represent the evolution of a series of complex decisions spanning a 32-year period, which have resulted in the current distribution of funds among Sea Grant programs.

During the late 1990's, major management changes were introduced primarily in response to a 1994 NRC study of the program that called for a more decentralized organizational structure and greater focus on performance. The concept of "core funds," consisting of "base funds" plus a performance-based "merit funds" component, was established (National Sea Grant Office {NSGO} policy memorandum, "Allocations for FY 1998 and Beyond."). Base funds provide a stable level of support (minimum of \$800,000) around which individual programs can plan and develop. During the 4-year period 1998-2001, base funding levels were increased as appropriations increased. Merit funds reward local program performance based on rigorous evaluations every four years. Approximately 50% of the federal funds (excluding program enhancement awards and national strategic investments {NSIs}) allocated to program core funding must be allocated to peer reviewed, competitive research and to graduate/undergraduate education proposals. Competitions are open to all eligible institutions in a program's state. The 1998 Plan also established a system of national competitions open to all programs in which peer reviewed grants are awarded on a 2-3 year basis to the highest rated projects. All aforementioned changes - stable base funds, merit reviews, and national competitions - were added to the Sea Grant Act of 1998.

II. Goals and Objectives

Consistent with the intent of Congress as set forth in the National Sea Grant Act of 1998 (33USC1121), the NSGO policy memorandum entitled "Allocations for FY 1998 and Beyond," the report of the Sea Grant Allocation Committee of March, 2002, and the National Sea Grant College Act Amendments of 2002 (P. L. 107-299), the purpose of this section is to establish goals and objectives for the distribution of funds in the National Sea Grant College Program for FY 2003 and beyond.

These are articulated as follows:

A. Goals:

- 1) To encourage a high level of innovation, educational and scientific quality, and program impact.
- 2) To bring the Sea Grant network to a consistent level of excellence nationwide in accordance with its legislative mandate and in support of NOAA's mission priorities.
- 3) To provide a context for the distribution of funds so as to enable Sea Grant to exert national leadership to promote the wise use and conservation of coastal and marine resources.

B. Objectives:

- 1) To provide a flexible, equitable and open allocation plan in support of program goals.
- 2) To provide a stable, national infrastructure of university based programs that can effectively and efficiently promote NOAA Sea Grant's mission subject to regular review and continued satisfactory performance.
- 3) To provide a rationale and procedures for the distribution of funds in Sea Grant that promote performance, healthy competition and partnerships.
- 4) To provide a mechanism for the establishment of new programs in eligible states not currently being served.

III. Operational Elements

Introduction:

The purpose of this section is to articulate the priorities and operational elements for the distribution of funds in the National Sea Grant College Program for FY 2003 and beyond. As such, these elements represent NSGO policy for the distribution of funds in Sea Grant to become effective upon passage of the FY2003 appropriation bill and continue indefinitely until superceded or revised. These policy elements follow from the goals and objectives set forth in Section II of this document and the references cited therein, particularly Congressional guidelines and the Sea Grant Allocation Committee Report of 2002.

Legislative background:

The National Sea Grant Act of 1998 (33 USC 1121) provides guidance for the distribution of funds authorized under the Act by encouraging a stable base of funding, merit review, new program development, and promotion of competition. The National Sea Grant College Program Act Amendments of 2002 (P. L. 107-299) states that in any fiscal year where appropriations exceed amounts appropriated for the fiscal year 2003, the excess amounts be distributed to any combination of the following:

- "(1) sea grant programs, according to their rating under section 204(d) (3) (A);
- "(2) national strategic investments authorized under section 204(b) (4);
- "(3) a college, university, institution, association or alliance for activities that are necessary for it to be designated a sea grant college or institute;
- "(4) a sea grant college or sea grant institute designated after the date of enactment of the National Sea Grant College Program Act Amendments of 2002 but not yet evaluated under section 204(d) (3) (A)."

Plan elements:

For purposes of this policy, funds appropriated for Sea Grant in FY 2003 are \$62.41 million. For appropriated amounts in excess of FY 2003 levels in future years, the excess of funds available will be distributed on the basis of merit and/or competition. The allocation plan contains four elements: Program Core Distributions, National Competitions, New Program Provisions, and Special Provisions.

A) Program Core Distributions: Core distributions are funds granted to individual Sea Grant institutional programs and generally consist of three funding components: base, merit and specific program development awards. The base component represents NOAA's investment in local infrastructure and directly addresses stability of funding required by the Sea Grant Act. Base funding is awarded with the expectation of continued long term support as long as performance so warrants. Programs may otherwise invest core funds so as to maintain a balanced program in accordance with the Sea Grant Act and NOAA mission objectives.

1. Base funding is a target amount determined early in a fiscal year for NOAA omnibus proposal submissions. The base funding year for calculating a program's base funding amount is equal to the FY 2003 level, which supercedes FY 1995 as the base year. A program's base funding level, then, is the FY 2003 amount plus any subsequent additions. It is expected that as an operating guideline, not less than 45% or more than 65% (ca. 50%), of base plus merit funding (federal portion) will be distributed for research and education projects awarded by an open, peer-review competitive process in accordance with current Sea Grant policy for such competitions. Funds originating from program enhancement awards and National Strategic Investments are excluded from this operating guideline.

2. Program base minimum is a fixed amount based on an assessment of infrastructural resources needed by a Sea Grant Program, consistent with total resources appropriated, in order to operate an effective, balanced program of research, education and outreach. The 1998 Plan acknowledges that need, the Sea Grant Act calls for encouraging new programs and strengthening the network and the recent Allocation Committee Report considered this question. Based on these considerations and the recommendations in the recent Allocation Committee's report, and subject to regular review and satisfactory performance, a Program minimum amount is set for Sea Grant College and Institutional Programs at \$1.2 million in federal funds. The amount is based on FY 2002 cost estimates and appropriations. With matching funds, a minimum investment, then, of \$1.8 million in infrastructure is provided for a Sea Grant College. This equates to the FY 2002 median level of base funding for all programs. Such an amount allows, at steady state, for approximately 8 modest sized research projects per year, 4-5 extension specialists and a budget for management, education and communications functions. Furthermore, there is maintained a capacity base from which

to generate additional resources and compete in national competitions.

Sea Grant College or Institutional Programs, whose base funding levels are less than the \$1.2 million minimum, qualify for base minimum adjustments. The Director, NSGO, may from time to time, designate funds for base minimum distributions. Programs eligible for the distribution will receive adjustments in that year based on their merit grades. Merit grades are those received from final performance evaluations. Programs remain eligible until the base funding reaches the base minimum amount.

(NOTE: The program minimum defined here is not to be construed as an adequate or sufficient resource base in relation to a state's issues, opportunities or capabilities. Given budget realities, it represents a compromise between providing an enabling infrastructure across eligible states and more substantially funding fewer programs.)

3. Merit funds are amounts determined according to performance in merit based reviews among Sea Grant Colleges and Institutions. The amounts distributed arise from merit grade categories assigned in performance evaluations and the total dollars available for distribution and as specified in current performance review policy. A program's merit-based distribution may vary from year to year due to the rolling four-year schedule of merit ratings. Consequently, the merit funds received by a program in a given year may change (or disappear) as a function of the evaluation process. It is expected that the overall merit funding pool will minimally be maintained at the FY 2002 level.
4. Program Development Awards are grants made as a result of peer reviewed, national competitions open only to Sea Grant colleges and institutions and are for the purpose of enhancing specific programmatic activities (e. g., community development, fisheries extension, regional activities), not individual investigators. These funds are designated as part of a program's core funds for a finite time period (generally 4-5 yrs.) and are subject to the terms and conditions specified in the competition.

B. National Competitions: The Sea Grant Act states that

the Director shall allocate funding among Sea Grant colleges and institutions so as to promote healthy competition among such institutions (Sec.1123(d)(3)B(i)). Allocations to individual programs may be made under this provision on the basis of open peer reviewed competition to eligible entities as defined by law. The circumstances and duration of such awards are to be determined by the goals and criteria governing that particular competition. Such competitions would normally be open to proposals from all programs, but competitions may also be restricted to regional projects in certain instances.

National competitions are subject to the rules and policies in effect for RFP announcement, proposal submission and peer review for Sea Grant awards. Funding for such competitions may arise from Sea Grant appropriations and/or other federal sources distributed by the NSGO in accordance with provisions of the Sea Grant Act.

National competitions may originate from a number of funding sources, primarily, from Congress, NOAA and/or other agencies and Sea Grant Act appropriations.

C) New Program Provisions: The Sea Grant Act contains the specific objective in the statement of purpose "to extend and strengthen the National Sea Grant Program." In order to extend the program so as to serve all eligible states as defined in the Act, the following elements provide for the funding of new programs in accordance with the guidelines developed in previous sections of this plan.

The Director, NSGO, may provide new funds from Sea Grant Act appropriations for investments in projects and Coherent Area Programs in eligible states in which no program has yet attained institutional status. Once a program has attained full institutional status, it no longer qualifies for distributions under the new program provision. Such programs may then qualify for base minimum distributions.

All proposals submitted under the New Program Provision will be subject to Sea Grant review and merit criteria. Proposals for changes in status for new programs are subject to relevant merit based criteria and procedures. Changes in status may change a program's eligibility for distributions under this plan. However, such changes in and of themselves constitute no obligation on the part of NOAA for additional funding or other exceptions from the guidelines set forth herein.

D) Special Provisions: There are special case

distributions that are provided for under the Act or represent situations requiring clarification. These include pass through grants, special grants, and unobligated funds.

1. Pass through grants/and contracts are funds awarded by the NSGO to Sea Grant Programs arising from federal funds not appropriated specifically for the support of the Sea Grant Act. Provisions of the Sea Grant Act provide this authority. Such funds are subject to the terms and conditions of the originating agency and to current policies of the National Sea Grant College Program. Pass-through funds do not require non-federal matching funds unless specified by the originating agency.
2. National infrastructure support grants are awards made under the provision of the Sea Grant Act and are generally made at the discretion of the Director, NSGO for rapid response to emerging issues or for proposals to enhance network capability. Such grants without matching funds may not exceed 1% of the total appropriated funds in that year. Proposals for special grants are subject to normal review processes in accordance with NSGO guidelines.
3. Unobligated funds are those arising from previous years' deobligations. These are returns that originate from a variety of sources and normally are less than 1% of current appropriations. Such funds become available for distribution for Sea Grant and may be used at the discretion of the Director, NSGO to augment one or more funding elements. These funds are available for distribution only in the year they occur (i.e., on a one time basis) and unless otherwise excepted, are subject to the 1/3 matching requirement of Section 1124 of the Sea Grant Act.

E) Other Considerations: This allocation plan is based on the assumption of long term program growth. However, assumptions of constant or growing funding may not be realized in a given year for a variety of reasons or appropriations bills may impose specific uses to new or existing funds. The following guidelines establish a general protocol for such situations:

1. In the event of decreases in funding levels from whatever source (e.g., appropriations, rescissions, mandates) the first priority is the maintenance of network integrity and therefore the maintenance of base funding levels.
2. In the event of significant increases in non-specific appropriations, primary consideration will be given to four areas (not listed in priority order); program base minimum adjustments, new program development, merit pool increases and base increases for all programs through competition up to the amount of the FY 2003 appropriation.
3. Increases in core funding in FY 2003 and beyond, may arise from several mechanisms:
 - a) The Director, NSGO, may from time to time both increase the merit pool and/or enhance the overall base funding allocation by one time merit based distributions up to the FY 2003 appropriation.
 - b) Program development awards from competitions to enhance programmatic activities either generally or in specific areas will be added to a program's funding base for the duration of that award (usually 4-5 years).
4. Decreases in a program's core funding may also arise from:
 - a) Reduction in merit distribution as a consequence of changes in performance grades.
 - b) Reductions in base grant awards stemming from unsatisfactory performance or for cause in relation to current Agency and Federal regulations and guidelines.
 - c) Reductions as a result of significant reductions in appropriations.
5. It is NSGO policy to establish and fund only one institutional or college program in a state as defined in the Sea Grant Act, except for those Programs that attained institutional status prior to FY 2002. Once institutional status is attained in a state, that program assumes the duties and responsibilities of a Sea Grant Program for that state.

IV. New Program Policy

It is NSGO policy to accommodate the establishment and growth of new Sea Grant programs in the remaining states and territories that are eligible for Sea Grant College designation. The purpose here is to provide guidance on procedures and designation of resources for new programs in order to facilitate the orderly development of new Sea Grant programs.

Sequential Steps to Sea Grant College Status - Establishing Sea Grant College Program status is a sequential process that occurs over a period of time, typically a decade or more. To achieve Sea Grant College status, three steps must occur: Coherent Area Program, Institutional Program and Sea Grant College Program. These steps are described more fully as follows:

General - Eligibility, qualifications and responsibilities for Sea Grant Programs are set forth in the Sea Grant Act and the Federal Register (V44:244). A Sea Grant Program is a university-based program usually administered by one institutional entity within a coastal or Great Lakes state.

Any eligible institution in the remaining states and territories that are eligible for Sea Grant College designation may apply to NOAA's National Sea Grant Office (NSGO) for a project grant. A project grant is simply a proposal from an eligible institution to initiate a Sea Grant programmatic activity for a given time period. This is generally the first step in seeking Sea Grant Program status.

Institutional entities may subsequently petition the NSGO for changes in program status in sequential order as defined below.

A) Coherent Area Program - The NSGO may request proposals from eligible institutions for the purpose of establishing Coherent Area Programs. An institutional entity may apply to the NSGO to become a Coherent Area Program in order to conduct Sea Grant activities limited in geographic area and/or scope. Grants are made to Coherent Area Programs with the expectation of renewal if the quality and relevance of the program is maintained. The NSGO will only accept Coherent Area Program proposals from eligible entities in states without existing Sea Grant Institutions or Colleges. All Coherent Area Program proposals are subject to Sea Grant review procedures and must be satisfactorily evaluated against Sea Grant project evaluation criteria. An institution must be designated a Coherent Area Program for at least two to three years before being eligible to apply for Sea Grant institutional status.

B) Institutional Program - The NSGO may competitively award Sea Grant Institutional Program status to one or a consortium of eligible entities having Coherent Area Programs. Criteria to be met are similar to that for a Sea Grant College and all eligible institutions may apply. Proposals for Institutional Program status will be referred to the Director of the NSGO, who will convene a panel of experts for the purpose of reviewing proposals against institutional program review criteria as defined in the Federal Register (V42:70). The experts' panel will make a recommendation to the Director regarding Institutional Program designation. The Director will make the final decision on Institutional Program designation. The NSGO will designate only one Institutional Program per state.

C) Sea Grant College - This is Sea Grant's highest program category. Sea Grant Colleges have broad responsibilities for state, regional and national activities and engage all of the institutions of higher learning in a state. Only Institutional Programs are eligible, after an appropriate period of time (at least two to three years) to become Sea Grant Colleges. Designation is made on the basis of merit and a determination by the Secretary of Commerce that such a designation meets the qualification criteria as set forth in the Federal Register (CFR, 1997 Ch. IX: Part 918).

New Program Implementation Plan - Beginning in FY 2003, the NSGO will announce a process for eligible institutional entities to submit Coherent Area Program and Institutional Program proposals. Since the remaining states and territories eligible for Sea Grant College designation are limited in number, the NSGO plans to make this opportunity available primarily with new funds.

V. Distribution of Funds

This section addresses the issue of the distribution of funds to the specific categories. The Sea Grant Act is definitive in fixing responsibility for the distribution of funds with the Secretary of Commerce and Director, NSGO. Funds are to be distributed in support of the purposes of the Act, but the Act provides considerable latitude within the merit and competition framework on the distribution of funds to various categories. Section II of this document provides specific goals and objectives for the distribution of funds. Based on those precepts articulated in Section II, the following guidelines will apply to the distribution of funds to categories. Note these are general guidelines and circumstance and/or future appropriations bill language may require exceptions for these guidelines. The guidelines are as follows:

A) Allocation policy will be reviewed by the NSGO in the year preceding the last year of a reauthorization sequence. For instance, these guidelines would be reviewed in FY 2007. Both the National Review Panel and Sea Grant Colleges and Institutions would be given the opportunity to participate in such a review.

B) Funding amounts up to the FY 2003 appropriated amount may be used in any category including base funding.

C) Sea Grant appropriations in excess of the FY 2003 amounts may only be allocated to programs through merit or competitive mechanisms and not to base funding, with the exception of new Sea Grant Colleges or Institutions.

D) Designation of appropriated funds within these guidelines will be made by the Director, NSGO as soon as possible after an appropriation bill is passed for the fiscal year.