MEMORANDUM FOR: Sea Grant Directors  
Review Panel  
Tech Staff

FROM: Ronald C. Baird  
Director

SUBJECT: Draft Business Plan for Sea Grant

In large measure the necessary organizational restructuring to enable Sea Grant to function more efficiently is complete. A summary and rationale for these changes are encompassed in the Message to Constituents section of our two Biannual Reports.

We are better positioned today for future growth in the Executive Branch budget process than in decades.

Our challenge now is to define the organization we wish to be, the operational and philosophical principles that will guide us and to develop a game plan to get us there.

With a new Administration in 2001 and reauthorization in 2002, we have an unprecedented opportunity to make (and market) our case.

To that end, I have developed a rationale and draft business plan for Sea Grant. It is a concept paper formulated in response to this opportunity. Its objective is to serve as a basis for discussion at our retreat in July.

While this plan provides a prospectus favorable for additional investment in Sea Grant and frames the issues to get us there, it does not specify programmatic objectives or what questions will be addressed or services rendered with additional investment. Nor does it specify how Sea Grant should be organized for optimum growth/performance or what specific actions should be taken to get us where we want to go.

Those answers await our attention in July. Hope to see you all there.

Best regards.

MAY 11 2000
RATIONALE FOR BUSINESS PLAN DEVELOPMENT

CRITICAL QUESTIONS: The following questions articulate the rationale and form the basis for the plan that follows:

a) What is Sea Grant's current business?

b) What is future business climate, demand for Sea Grant products, services?

c) What are our core competencies, how do they relate to future demand, opportunities in future business climate?

d) Where do we have a competitive advantage over other programs, what do we need to do organizationally to strengthen that advantage or develop new opportunities where we have or can create an advantage.

e) What are barriers to growth within the organization, within universities, the Agency, Department, OMB, Congress, other federal agencies.

f) What are strengths and weaknesses of our political support base in Congress, Administration, NOAA, other Agencies and coastal constituencies.

g) What marketing strategies are needed to promote a highly visible and recognized niche for Sea Grant?

h) What specific steps are required to:

1. Define our niche, articulate future direction.

2. Develop political support to sustain significant growth, particularly with a new Administration/Congress, and among university community.

3. Develop a comprehensive plan to market and promote the advantages of Sea Grant services/products to stakeholders and enhance overall program visibility.

4. Develop prospectus for potential partners/users indicating how Sea Grant can add value through partnerships.

5. Develop comprehensive means to articulate and disseminate impacts and contributions of Sea Grant in terms of return investment and accomplishment of mission.

6. Synthesize, render useful and promulgate information relevant to management decisions and public policy.

CURRENT STATUS

MISSION: Promote the wise use of ocean, coastal and Great Lakes resources as defined in legislation.
**FUNCTION:** To utilize and engage the capabilities of our nation's research universities in addressing Sea Grant's mission.

**PURPOSE:** To make investments that demonstrably impact public policy and/or economic competitiveness in Coastal America.

**PRINCIPAL BUSINESS:** Sea Grant is a science management and service business engaged in creating new knowledge (research) and transferring science-based information to users through outreach (extension, communication and education) for the express purpose of promoting mission related objectives.

**ORGANIZATIONAL STRUCTURE:** Sea Grant today is a nationally coordinated network of 29 university-based franchises in coastal and Great Lakes states that provide the infrastructure and local management for product delivery and contact with user constituencies. The organization is a true partnership in which local programs influence national policy, provide financial resources and have programmatic oversight.

**FINANCIAL STRUCTURE AND CONDITION:** Sea Grant franchise programs are required to match at a rate of $1 for every $2 of Federal investment.

Revenues from all sources reported to NOAA Grant's Office for FY'99 were about $100M. This does not include other funds received from state and federal agencies beyond those required to be reported to NOAA. This "offline" revenue stream represents a significant funding source for Sea Grant, estimated to be on the order $30-$50M.

Sea Grant federal appropriations have increased every year since FY 1993 from $44M to $59.2 in FY 2000, an increase of 35% or 5%/year. Other federal and state revenues have also increased.

**MANAGEMENT CHANGES:** Beginning in 1996 Sea Grant began introducing a series of management changes to improve the performance, flexibility and operating efficiency of the Sea Grant network.

These include: greater local responsibility for programmatic direction/resource allocation; peer reviewed competitive research awards; better user input mechanisms to local/national policy; creation of an investment fund for national research initiatives; a performance review protocol that emphasizes results, accomplishments and impacts on mission objectives; establishment of a national communication network; the establishment of theme areas as a means of defining critical issues for future investment (see attachment); strategic planning.

**ACCOMPLISHMENTS:** Sea Grant accomplishments are well documented elsewhere. What is important is that Sea Grant has developed an effective, local/regional infrastructure over 30 years that would be prohibitively expensive to duplicate and take years to accomplish. The Program has also been able to increase its budgets at a time of government downsizing and reduced budget requests from various Administrations. This is a popular program primarily because it gets things done in a cost effective way and its products and services are viewed as positive, value added contributions by both local and national constituencies (see NRC, 1994, Review of National Sea Grant College Program).

**CORE COMPETENCIES:** Sea Grant has a number of inherent business strengths and capabilities. We know of no other federal program that has this combination of enabling infrastructure of university based research and outreach, a management structure that provides rapid response capability, programmatic flexibility, cost effectiveness and a national network allowing for both "top down and bottoms up" organizational strength. These represent significant competitive advantages operationally over most other federal programs and provide considerable potential for niche definition and resource growth in future federal coastal and ocean agendas.

These core competencies include:
a. A national network embedded in best research universities in country. Sea Grant has a strong science base.
b. Long standing relationships with a broad spectrum of constituents and stakeholders in every coastal state.
c. A federal program that works, get things done, has track record for relevance, quality in products/services.
d. Involvement of user groups in determining investment priorities and program direction, high customer satisfaction.
e. Reputation for objectivity and credibility in research and information transfer.
f. Highly motivated and competent network of experienced extension and communication professionals (ca. 400 nationwide).
g. Cost-effectiveness with high investment leverage: federal administrative costs were less than 3% of total funds under management for FY 1999. Financial leverage on federal appropriations were about 75% on reported revenues of $99.6M (exclusive of other sources of local revenue) in FY 1999. The programmatic efficiency and relatively small size of its administrative bureaucracy are compelling.
h. Access to expertise, facilities, constituencies not always readily available to the parent agency (NOAA).
i. Strong Congressional and grass roots support.
j. An increasingly effective regional infrastructure.

VALUE ADDED-TO NOAA: In Sea Grant, NOAA has a subsidiary operation that conservatively commands well in excess of the $100M in total NOAA reported revenues, has considerable local and national impact, has grown its resources during a time of shrinking federal budgets and the unwillingness by various administrations to request program increases. It has taken steps to improve program management and effectiveness as well as to increase its value added to NOAA. Moreover, its legislative mandate and products/services are fully consistent with both DOC and NOAA's mission. Sea Grant has (and continues to) add value to NOAA’s mission (NRC, 1994). Historically, Sea Grant's value-added potential to the Agency has been underutilized and undervalued by senior NOAA management, DOC and OMB. Steps to increase the integration and value added to NCAA from Sea Grant have been made in the last several years and while it is too early to determine the overall success of these efforts, there are several promising developments (e.g., joint collaborations between Sea Grant and NMFS). The Administration's FY 2001 budget request is the first in over two decades for Sea Grant in excess of prior year appropriations.

PROSPECTS FOR GROWTH

FUTURE TRENDS: We believe the political agenda for the next century will call for the primacy of environment in the development of sustainable economies. Rapid rates of change in the growth and development of coastal areas, related public policy, adverse environmental impacts and knowledge/technology creation will create enormous demand for environmental literacy and trained human resources. Sea Grant is a national leader in providing educational opportunities for marine oriented graduate students. Environmental knowledge/understanding, rapid synthesis and promulgation of science-based information and modeling of environmental processes, all Sea Grant strengths, will also be areas of greatly increased demand in Coastal America. Politically feasible solutions to issues and conflict resolution must increasingly involve local and regional interest
groups. This is an area where Sea Grant has an unprecedented opportunity to affect public policy and contribute to the national coastal and ocean agenda.

In summary, Sea Grant is extremely well positioned in terms of products and services to help satisfy a growing demand and national need. Federal/state funding for environment will grow substantially. Sea Grant must make its case.

POTENTIAL FOR GROWTH: The review of the National Sea Grant College Program by the NRC (1994) was emphatic in saying that the great potential of the Sea Grant Program has not been achieved because of fiscal limitations as well as organizational and management difficulties. The general case for growth is compelling. Sea Grant is built on the Land Grant model, a highly successful paradigm and the program has over 30 years been effective in its mission. A previous section highlighted the growing demand for research and outreach in coastal America. The economic arguments as to the importance of coastal areas to the U.S. are equally compelling. A few examples will suffice:

a. By 2010 U.S. foreign trade in goods is expected to double to $5 trillion with trade cargo increasing by 30% to 1.7 billion metric tons.

b. The U.S. dredges 275 million cubic yds/yr to maintain navigable waterways.

c. Coastal tourism and recreation account for 85% of all tourism related revenues in the U.S.

d. Over 40% of new residential and commercial development in the U.S. are along the coasts; 50% of the U.S. population lives by the coast, by 2025, 75%.

e. The U.S. spends $46 billion/yr on fish products with a trade deficit of over $6 billion/yr.

f. Tax revenues generated in coastal areas are among the fastest growing sources of revenue for local/state governments.

In summary, the collective economic impact of Coastal America on the U.S. economy is growing rapidly and greatly exceeds that of U.S. agriculture, yet one of the principle federal programs designed specifically to address coastal issues is far smaller in size and scope than its counterpart, the USDA cooperative extension program in this country. The issues to be addressed in coastal resource management are immense and investment in Sea Grant has not been commensurate with growth in coastal population and development. Yet Sea Grant has been virtually the only source of funding in the U.S. on marine policy and a major contributor for the fields of marine aquaculture, coastal and estuarine research, marine fisheries management, seafood safety, marine biotechnology, marine engineering and coastal technology development (NRC, 1994) and this list is not exhaustive.

TARGETS FOR GROWTH: Only recently has Sea Grant exhibited modest growth in its appropriations and for the first time in decades an Administration is not requesting significant cuts. These positive steps have better positioned Sea Grant for significant growth within the Federal budget process than at any time in its recent history.

It is our contention that conservatively the National Sea Grant Program could cost effectively, efficiently and with greater relative programmatic impact grow at a rate of 10% per year for the next 5-7 years (i.e., to $100-$120 million in federal appropriations). This would enable Sea Grant to expand its research, extension and education activities to far greater impact with relatively modest increases in management/administrative costs. We believe such increases (ca. $6+M/yr) are politically feasible, albeit requiring considerable effort and fully justifiable in terms of the return on investment of public funds.
IMPEDIMENTS OF GROWTH: We agree with the NRC that current funding levels seriously curtail Sea Grant's potential contributions to its legislative mission. The program is marginally capitalized and too regionally distributed for maximum impact under its current structure. Without growth, erosion of purchasing power and therefore programmatic impact also represents a serious threat to the long term relevance of the program, inviting expansion of competing programs into Sea Grant's business niche.

Yet impediments to program expansion exist and must be addressed. The NRC also enumerated a number of these as well. The more important of these include:

a. Internal Management and Planning: Most of the management changes recommended by the NRC including decentralized management, peer review, strategic planning, program evaluation, and new funding modes for national, regional and multi-program initiatives have been implemented. We believe that many (not all) of the management impediments to growth have or are now being addressed.

b. Congressional Appropriations: Congress has long been a principal supporter of Sea Grant and is largely responsible for its survival. In difficult budget climates Sea Grant has nonetheless been authorized in legislation at unprecedented levels. We are also entering a time of budget surpluses. Given bipartisan support and the political profile of the issues, a strong case for growth in a popular program has good prospects for success.

c. Interagency Competition: Many agencies including NSF, EPA, USDA, USGS and DOD have programs with mandates and objectives that overlap those of Sea Grant and thus create “defuse” competition for federal dollars. None now have the same operational capabilities as Sea Grant. With strong niche definition and strategic alliances with these agencies Sea Grant can, we believe create allies for its agenda.

d. Intra-agency Support (NOAA, DOC, OMB): The NRC remarks that there is little use of the capabilities of the Sea Grant program in a wider NOAA context and historically Sea Grant has not had strong support from the Executive Branch of government. Progress has been made since that report to better integrate Sea Grant capabilities with other NOAA line offices and for the Program to be more strongly involved in NOAA planning activities. Nonetheless, Sea Grant does not now function independently across line offices nor is there a formal mechanism for coordinating its activities among various NOAA operations outside of the strategic planning teams. Opportunities exist for alliances with various elements of DOC. There also exists within NOAA diffuse competition from other NOAA programs with mandates overlapping Sea Grant’s.

Given the Agency’s role in formulating the Administration’s budget request for Sea Grant any expansion plan must include gaining broad programmatic and political support from the Agency and Administration. This is the reality of Sea Grant’s current position in the Agency’s organizational structure.

e. Limited Visibility: Lack of knowledge of the Program, its agenda and role in the federal/state infrastructure remains a problem for Sea Grant. Significant strides have been made recently to increase Sea Grant’s visibility nationally. The issues of name recognition and “brand” definition must be part of any business plan.

FIVE YEAR PLAN:

BASIC ELEMENTS: These include:

a. A common vision and niche definition consistent with legislation.

b. A concept paper making the case for additional (ca. $60M) federal investment in Sea Grant. Include a 5/7 year plan of growth and specific areas for targeted investment.
c. A marketing and implementation strategy — within NOAA/DOC
to external stakeholders (include Congress)
other federal and state agencies and universities
d. A mechanism for ongoing planning and implementation.
e. A time line and specific objectives for the Administration transition, in 2001 and Congressional reauthorization in 2002.

**THOUGHTS ON VISION AND NICHE:** These are listed below.

a. The vision is that by 2005, Sea Grant will be a primary focus and a principal means for the Federal Government in partnership with universities to further the understanding and wise use of coastal/Great Lakes resources and conveying science to people. That Sea Grant will be synonymous with leadership, performance and excellence.

b. Sea Grant's primary niche in the Federal research and coastal management agenda is the creative engagement of the immense capabilities of our Nation's research universities to the betterment of Coastal America.

c. The niche includes a unique ability to reach and transfer information through its network of extension and communication to diverse users/constituents.

d. Sea Grant, through its university-based management structure, would adopt the following operational principles:

1) develop long term programmatic objectives that address the highest priority local problems in a national context.

2) enhance flexibility to rapidly reprogram investments to newly emerging issues while maintaining management oversight.

3) attract state and other federal funds for application to programmatic objectives, creating tremendous leverage and focus on critical issues.

4) engage in constructive conflict resolution while maintaining credibility, a difficulty for regulatory agencies or interest groups.

5) provide rapid and cost effective access for NOAA (and other agencies) to latest in expertise, facilities and technologies while avoiding expense of fixed costs of in house operations.

6) develop strong national programs emphasizing regional and local ties with coastal communities and the synthesis/translation/promulgation of information in usable form for managers/decision makers.

7) develop a strong constituency for products and services.

In summary, Sea Grant could become a major service provider for the Agency (and other government entities) through the universities to important coastal constituents, states and local communities.
STRATEGIC QUESTIONS: In charting a "game" plan for the future, we will start with several basic assumptions. All should be subject to debate.

a. That the basic Sea Grant business model is sound and the current general organizational structure of federal/state partnerships is operationally and politically effective in the collective.

b. That NOAA is both politically and by mission the appropriate agency to house Sea Grant.

c. That the current policy of non-proliferation of Sea Grant Colleges and institutions (one per state unless grandfathered by legislation) insures both geographic coverage and critical mass.

d. That an association or other formal organization(s) representing Sea Grant Colleges is essential to program coordination and planning.

e. That in general the de-centralized management structure, program evaluation format and combination of national, regional and local initiatives now in place provides the needed flexibility, top down/bottom up effectiveness and administrative oversight to accommodate significant increases in resources.

f. That greater coordination, interaction, cooperation and joint funding with NOAA (and other agencies) at local and national levels is desirable and a legitimate function of Sea Grant fully consistent with its legislative mandate.

g. That growth in Sea Grant's resource base will greatly enhance its ability to deliver high value added products and services to Coastal America and that further erosion of the support base will seriously impede the Program's functionality under its current structure.

Given these assumptions a number of strategic questions arise that must be addressed in considering Sea Grant's future:

a. What are the long term programmatic objectives that should be targeted for growth. What issues, elements, areas will be addressed over a 5-7 year period.

b. Given the expected growth potential in "non core" funding, what is the optimum mix of hard and soft money. How does Sea Grant adjust organizationally to increased business volume both internal and external to the "core", how should external funds be accounted for.

c. How does Sea Grant best allocate new resources among its various programs and elements?

d. What mechanisms need be put in place to increase the degree of interaction and joint initiatives with NOAA line offices and outside agencies, federal and state?

e. Ultimately, NOAA management must determine where Sea Grant can better advance the Agency's agenda over alternative investments, how best to fund it and how to better integrate the capabilities of one of its largest subsidiaries with other operations (or spin it off to another Agency). Sea Grant must be both positioned within NOAA to maximize its opportunities and organizationally committed to advance its "value added" to NOAA.

f. Considerations Sea Grant should consider with NOAA are listed below:

1. The NRC questions whether the current position of Sea Grant in NOAA's organizational hierarchy allows sufficient independence to maximize value added opportunities within NOAA. What is the optimum position for Sea Grant within the NOAA organization?

2. How should Sea Grant be more formally allied in a planning sense to other NOAA science programs?
3. Should other programs with broad extramural focus and overlapping missions within NOAA such as COP be more closely allied with or made part of the national Sea Grant administrative structure?

4. What steps must be taken to adequately market both Sea Grant's capabilities and its rationale for increased federal investment to NOAA and the new administration?

5. How should the "plan" be reflected in the reauthorizing language and authorized funding levels? How and when should we engage to appropriate Congressional staff members?

6. What contingencies should be put in place (if any) to deal with possible negative growth in purchasing power (budget cuts)?

7. Should there be changes in the role, structure or function of the NSGO within OAR or NOAA to encompass the management of funding initiatives that are appropriated “outside” of the Sea Grant appropriation (e.g., aquaculture)?

FINAL COMMENTS

This plan is simply a concept paper to outline both the opportunities for growth and a vision for Sea Grant as a major player in the Federal science and management agenda for Coastal America. Like all plans, its realization will require an ability to be opportunistic and flexible. More importantly, it will require the commitment of many people with the same "big picture" objectives.