CHAPTER 30
FUNDING NEEDS AND POSSIBLE SOURCES

Better coordination at all levels of government, decisions based on dependable science, an informed and engaged citizenry—these are all important parts of what the U.S. Commission on Ocean Policy sees in its vision of our ocean future. This report contains recommendations aimed at ensuring that the nation's ocean and coastal resources are healthy and sustainable. Significant change, however, does not come without significant investment. This chapter outlines the costs associated with actions needed to improve our ocean policy. It also presents a proposal for meeting those costs through the creation of a new Ocean Policy Trust Fund. Monies for the fund would be generated through resource rents from permitted uses in federal waters, including outer Continental Shelf oil and gas revenues that are not currently committed to other funds. The Fund would support additional responsibilities placed on federal agencies and prevent unfunded mandates to states.

INVESTING IN CHANGE

This report outlines a series of ambitious proposals for improving the use and protection of the nation's oceans and coasts. But meaningful change requires meaningful investments. In the case of the ocean, such investments are easy to justify. As explained in Chapter 1, more than one trillion dollars, or one-tenth of the nation's annual gross domestic product, is generated each year within communities immediately adjacent to the coast. By including the economic contribution from all coastal watershed counties, that number jumps to around five trillion dollars, or fully one half of our nation's economy. Those contributions are threatened by continued degradation of ocean and coastal environments and resources.

From its beginning, this Commission pledged to be clear about the costs of its recommendations. In keeping with that approach, the final report will include a complete accounting of the startup, short-term, and continuing costs associated with each issue area, including an analysis of federal, state, and local budget implications to the extent possible. For now, this draft report provides estimates of overall ***new*** federal spending requirements, based on the preliminary recommendations summarized in Chapter 31.

Mindful of intense budgetary pressures at both federal and state levels—and sensitive to the hardship associated with unfunded federal mandates—the Commission also set out to identify appropriate sources of revenue to cover the full cost of its recommendations. A logical, responsible funding strategy is outlined below, to be developed further in the final report.

ACKNOWLEDGING THE COST OF TAKING ACTION

Based on the contents of this preliminary report, the total additional cost to the federal government of implementing the Commission's recommendations will be approximately $1.3 billion in the first year of implementation, $2.4 billion in the second year, and $3.2 billion per year in ongoing costs thereafter (Table 30.1)—a very reasonable investment in view of the value generated by ocean and coastal industries.

Just as this report addresses a multitude of issues, from clean water to marine commerce and beaches to ballast water, final cost calculations will cover a similar broad range. Although a detailed breakdown of costs must await finalization of the Commission's report, including input from the Governors and others, a few special investments are worth pointing out.

Table 30.1. Estimated Cost of Recommendations in the Preliminary Report of the U.S. Commission on Ocean Policy

Recommended Activity	Location in Report	First Year Cost (millions)	Second Year Cost (millions)	Continuing Annual Cost (millions)
National Ocean Council and related elements	Ch. 4	$1	$2	$2
Ocean Education	Ch. 8	$7	$251	$246
IOOS	Ch. 26	$290	$312	$652
Ocean Science and Exploration	Ch. 25	$230	$395	$760
Federal Support for State Actions	Ch.24	$500	$750	$1,000
Other Recommendations	throughout	$245	$708	$532
TOTAL		**$1,273**	**$2,418**	**$3,192**

The National Ocean Policy Framework

The centerpiece of the Commission's recommendations for improving federal leadership for oceans and coasts is the National Ocean Policy Framework. In particular, Chapter 4 calls for the immediate establishment of a National Ocean Council (NOC) in the Executive Office of the President. The NOC would be chaired by an Assistant to the President, advised by a nonfederal Presidential Council of Advisors on Ocean Policy, and supported by a small Office of Ocean Policy. The cost of establishing these entities, to provide better coordination and management of the oceans and move toward an ecosystem-based management approach, will be approximately one million dollars in the first year, and two million dollars per year subsequently.

The costs associated with other elements of the framework, including regional ocean councils, regional ocean information programs, and federal agency restructuring, will be discussed in greater detail in the final report.

Ocean Education

High quality, lifelong ocean education is essential to improve science literacy and instill a widespread sense of stewardship for the oceans. A number of concrete steps to achieve these goals are recommended in Chapter 8, including support for curriculum development and other formal and informal educational programs, expansion of the Centers for Ocean Sciences Education Excellence, creation of a national ocean education coordinating office, and much more. The first year startup cost is estimated at $7 million, with significant investments of around $250 million in subsequent years.

The Integrated Ocean Observing System

To achieve well-informed, science-based ocean and coastal management with an ecosystem focus, no tool is more important than the national Integrated Ocean Observing System (IOOS). A fully operating IOOS will

provide critical information for protecting human lives and property from marine hazards, improving ocean health, predicting global climate change, enhancing national and homeland security, and providing for the protection, sustainable use, and enjoyment of ocean resources. Just as the nation and its citizens have come to rely on an extensive system of weather observations, routine ocean observations and forecasts will be viewed as a necessity before long as their value becomes evident. The direct benefits to industry, property, and human life alone easily justify the initial investment. The first year cost of implementing the IOOS is estimated at $290 million, rising over a period of five years to an ongoing annual cost of $650 million.

Ocean Science and Exploration

Science and exploration are closely related endeavors. In simple terms, explorers discover new places, species, and phenomena which scientists then study, unravel, and explain. Prominent observers have pointed out that we now know more about the moon than the bottom of the ocean, despite the huge potential for answering fundamental questions about our planet and discovering new forms of life right here at home. The gradual shrinking of ocean science funding, from 7 percent of the federal research budget in the1970s to only 3.5 percent today, must be reversed to address the nation's need for better coastal and ocean information and allow managers to make well-informed decisions. The Commission recommends a doubling of the current federal ocean and coastal research budget plus a significant investment in well-planned, technologically sophisticated ocean exploration expeditions. The cost for sparking this new era of ocean discovery—and reaping the tangible human benefits—will be around $230 million in the first year, rising to a sustained, but still modest level of $760 million a year.

USING REVENUE FROM OCEAN USES FOR IMPROVED OCEAN MANAGEMENT

Various parts of this report discuss federal revenues that are being or may be generated from offshore activities. Chapter 6 introduces the concept of resource rents, the economic value being derived from the use or development of a natural resource. If the resource is publicly-owned, its availability to the private sector should be contingent on a reasonable return of some portion of the rent to taxpayers. A proposal for a new Marine Aquaculture Management Framework is put forward in Chapter 22 and includes a recommendation for a revenue collection process that recognizes the public interest in the ocean space and resources used for aquaculture operations in federal waters. Chapter 24 covers nonliving resources in federal waters and discusses the substantial revenues flowing into land conservation and historic preservation funds and the general U.S. Treasury from outer Continental Shelf (OCS) oil and gas development. It also addresses the possible emergence of offshore renewable energy resources, including the growing interest in wind farms, and the need for a comprehensive regime to coherently manage such technologies and ensure a fair return to the public for the use of marine resources.

The Federal Ocean Family

The nexus between activities in federal waters and the programmatic, regulatory, and management responsibilities they engender is clear. From the need for better coordination at the federal level requiring a new National Ocean Policy Framework; to the increased emphasis on better science and information, including the critical data that will be provided by the IOOS; to the obvious necessity for the nation's citizens to develop an ocean stewardship ethic through the strengthening of our marine education institutions, the full panoply of actions at the federal governmental level that this report recommends is connected, at least in part, to the activities, current and emerging, in our adjacent sea. Chapter 7 is unambiguous in stating that solidifying the National Oceanic and Atmospheric Administration as the nation's lead civilian ocean agency involves increasing its responsibilities in a number of areas. Other agencies may also be similarly affected. As noted, these changes require new, meaningful investments in addition to the current budget baselines of federal agencies with ocean functions.

State Partners in Ocean and Coastal Policy Development and Implementation: Federal Support

States (including local, territorial, and tribal governments) have a critically important role to play in the new National Ocean Policy Framework. Through the legal authorities that states exercise for land and water use policies within their own sovereign borders and submerged lands, to the additional marine programs added by Congress over the years, to the areas identified in this report as being critical in bringing states into more of a partnership role with the federal government, a comprehensive national ocean policy prominently includes the states.

Under the new ocean policy, states will have particularly important functions to carry out in areas such as coastal development, water quality, education, natural hazards planning, fishery management, habitat conservation, and much more. The establishment of regional ocean councils, a central element in the new National Ocean Policy Framework, will depend on interest and leadership at the state level. States should also participate as full partners in the design and implementation of regional ocean observing systems and their integration into the national IOOS. These and many other opportunities for states to contribute to a more integrated, effective ocean policy are consolidated and briefly discussed in Chapter 31. The Commission is also well aware that additional responsibilities will require additional revenues and that the states simply cannot take on any unfunded mandates as a result of the implementation of the comprehensive ocean policy recommended herein.

New Revenues for the Federal Ocean Family and State Government Partners: The Ocean Policy Trust Fund

The critical nature of the nation's oceans assets and the challenges faced in managing them make it clear that the time has come to establish an Ocean Policy Trust Fund in the U.S. Treasury to assist federal agencies and state governments in carrying out the comprehensive ocean policy recommended by this Commission.

The Fund would be composed of federal revenues from OCS oil and gas development, other than those currently committed to other funds, and would also include any future rents from permitted uses of federal waters. The Land and Water Conservation Fund, the National Historic Preservation Fund, and the OCS oil and gas revenues given to coastal states from the three mile area seaward of their submerged lands would not be affected. Only after the revenues for those programs were provided in accordance with law, would the OCS monies be deposited into the Ocean Policy Trust Fund.

Chapter 24 documents that approximately $5 billion is generated annually from the various forms of OCS oil and gas revenues. Protecting the three programs noted above would remove about $1 billion from eligible revenues. Thus, some $4 billion of oil and gas money would remain available for the Ocean Policy Trust Fund for each year under current projections. While it is not possible to estimate the amount of revenue that might be produced by newer emerging uses in federal waters nor when they may actually be generated, such resource rents should also be deposited in the Fund.

Chapter 24 also includes a detailed discussion of the economic inequities between onshore and offshore federal land leasing and development programs and recommends that a portion of the revenues received from the extraction of nonrenewable offshore resources be granted to states for the conservation and sustainable development of renewable ocean and coastal resources. OCS oil and gas producing states will need a larger portion of such revenues to address the impacts in their states from the energy activity on adjacent federal offshore lands.

Recommendation 30-1. Congress, with input from the National Ocean Council (NOC), should establish an Ocean Policy Trust Fund in the U.S. Treasury. The Fund should be composed of unallocated federal revenues from outer Continental Shelf (OCS) oil and gas leasing and development, and resource rents assessed on new activities in federal waters. Trust Fund monies should be dispersed to coastal states and federal agencies to support improved ocean and coastal management commensurate with the nation's new coordinated and comprehensive national ocean policy.

The Ocean Policy Trust Fund should:

- *distribute $500 million in the first year, increasing to $1.0 billion in the third and subsequent years, among all coastal states, with a larger share going to OCS producing states (for offshore energy impacts). The funds should be used for the conservation and sustainable development of renewable ocean and coastal resources, including tasks that fall to the states as a result of Commission recommendations.*
- *distribute the remainder of the funds among the NOC agencies to address additional activities assigned to them by Commission recommendations, according to an allocation determined by the NOC.*
- *be used to supplement—not replace—existing appropriations for ocean and coastal programs and to fund new or expanded duties.*

.