

-1-

REPORT FROM THE BUDGET COMMITTEE MEETING, MARCH 1 AND 2, 1988

The BCOM met in Washington D.C. on 1 and 2 March of 1988 to discuss the ODP budget for FY89 through FY92. Members of the Committee included Drs. J. Briden, C. Helsley and K. Kobayashi (EXCOM) and G. Brass and N. Piasias (PCOM). Drs. P. Rabinowitz, X. Golovchenko, E. Kappel and T. Pyle represented TAMU, LDGO and JOI respectively.

The BCOM started its meeting in executive session to define the basic concepts under which the budget would be viewed. BCOM recognized:

1) The importance of the 4% Special Operations Expenses (SOE) element of the budget. BCOM noted the instruction of EXCOM in this regard, and reaffirmed the absolute necessity of identifying a significant percentage of each year's budget for special non-recurrent items related to:

- (a) special features of the program (e.g. ice picket);
- (b) special capital enhancements and;
- (c) special engineering innovation. The BCOM especially notes the instructions of EXCOM that the ODP Base Budget include all on-going engineering development efforts.

2) The BCOM recognizes that the 1.3% increase in the target total budget level from FY88 to FY89 will require using some of the 4% SOE funds to cover increases in the SEDCO and Schlumberger contracts beyond the available 1.3%. It was also apparent that some of the SOE funds would be needed to provide sufficient support in other areas of the budget. BCOM views this reprogramming of SOE funds into the Base Budget as a solution for the FY89 program year but emphasizes that the SOE funds must return to the 4% level in FY90.

3) The BCOM calculated the SOE budget level as being 4% of the standard operating budget of TAMU and LDGO (i.e. the total standard operating budget minus the JOI budget).

After the executive session the contractors were invited to make their presentations to BCOM. The TAMU presentation outlined their estimate of regional funding but did not provide information on past expenditures in the same categories. Thus BCOM reviewed past submissions and changes with TAMU prior to making the following assessments and allocations. The LDGO and JOI budget presentations had similar shortcomings.

BUDGET RECOMMENDATIONS:

TAMU - The BCOM discussed the outline budget submitted by TAMU and noted two major problems:

- (1) It did not identify a sufficient percentage of special projects, nor were some of their proposals under special projects acceptable to BCOM. In particular the entire Engineering Development proposed by TAMU at \$1,319,898 should (in conformity with EXCOM resolution) be contained within the Base Budget.

(2) It was derived primarily using a reevaluation from the FY88 budget with a 6% increase in salary related costs and 3% for other costs. Little effort appeared to have been made relative to correct for special activities in 1988 or those projected for 1989. BCOM did not regard itself as bound to meet specifically the increased salary cost which were specified as "state mandated" by TAMU, since some savings should be available due to turnover of personnel.

After extensive discussions based on the FY88 program plan and the budget outline for FY89 the BCOM recommends the base budget in Table I with the following comments:

Engineering Development - This budget should be sufficient to cover all the operations described by TAMU for which they requested \$1,320K. \$50K have been added for the seventh person. \$44K savings to be agreed in discussion with JOI after consultation with PCOM.

Drilling Operations - TAMU requested \$2,273K of which \$90K for the Engineering Leg is regarded by BCOM as a special project and dealt with below i.e., \$2,183K requested, compared with \$2257 in FY88. BCOM noted that as much as \$200K in FY88 was attributable to usage of a guide base at SWIR which would not recur in FY89. Therefore, its recommended allocation of \$1,919K should be capable of being met. In considering how to achieve this, BCOM asked TAMU to reassess the proposal line items: \$75K Weather Observers, \$40K logging winch (which is an apparent overlap with LDGO) and two miscellaneous lines totalling \$148,550 as well as other materials which appear to be budgeted well above actual spending in previous years.

Technical Support - A savings of \$29K is requested.

Logistics - A savings of \$12K is called for.

Science Operations - In calling for a savings of \$14K on TAMU's requested amount, BCOM noted that the science staff has been reduced, and recommended funding the requested salary amount in full.

Publications - A saving of \$17K is called for in the base budget calculated without the cost of additional funds for the 3 extra volume B's needed to bring the publications effort to steady state. BCOM recommends allocating a further \$133K for the additional costs of three extra volumes in FY89 and notes that with the addition of engineering legs the steady state publications efforts will be less than 6 volume A's and B's per year.

Computer Services - A savings of \$56K is called for, reflecting BCOM concern on programming and maintenance costs.

Data Bases - Recommended in full. For new disk see below.

Curation - A saving of \$22K is called for, principally reflecting concerns of BCOM on the lack of detailed estimates under this heading.

Headquarters - Labor costs recommended in full. A \$57K savings in other supply costs, maintenance etc. are recommended.

TAMU Base Budget Summary - The recommended allocations to TAMU is \$11,906,540 compared with their request (after adjustment for SOE items dealt with below) of \$12,529,015. BCOM assumes the SEDCO total of \$18,983,488 to be non-negotiable leading to a TAMU total of \$30,890,025.

Finally BCOM notes its disappointment in not having a prepared presentation from TAMU on their budget outline and urges that future presentations include a summary of past expenses in the same categories.

LDGO - After a presentation by X. Golovchenko, the BCOM began discussions of the Bore Hole Research Group's budget request. BCOM noted the increased salary levels in the LDGO budget reflected increased labor costs resulting from the purchase of the Formation Micro-Scanner (FMS) as requested by PCOM and EXCOM. From LDGO request for \$3,057,902, BCOM extracted \$190 of permanent equipment to be considered as SOE below, and approved the remaining \$2,867,902 in full. BCOM recommends consideration of phasing out the Stanford subcontract upon successful delivery of the packer by specified date.

JOI - A savings of \$59,780 is called for in making a recommended allocation of \$1,600,000. Further reduction may be possible once several concerns re "overhead" are reviewed by JOI.

Special Operating Expenses -

The base allocation total if the above recommendations are implemented is \$35,358K compared with the available base allocation \$34,624K. Thus \$734K of the intended 4% SOE has been determined by BCOM to be unavoidably diverted into base budget.

This is attributable to underindexation of the total ODP budget between FY88 and FY89 by NSF (1.3%). Specifically, the \$734K diversion of funds from SOE to base budget items should be regarded as being attributable as follows:

Increase in SEDCO costs	588
Increase in Schlumberger costs	93
Part of salary costs that cannot be accomodated due to underindexation	103

TOTAL \$784K

Special Projects - The BCOM identified the following items to be part of SOE:

Diversion to meet underprovision for base budget operations	784
Engineering Leg.....	90
Database Disk.....	17
LDGO (gyro, FMS, packer improvement)*	110
Data Bank equipment.....	13
Special Engineering projects (to be agreed between PCOM, TAMU, LDGO, and JOI).....	360
 TOTAL	 \$1,374K

*BCOM recommends that the purchase of the third wire-line packer be deferred until a working system is available.

The use of the \$784K of SOE to cover standard operations is considered by BCOM to be unfortunate and hopefully a one time solution to ODP budgeting problems brought about by underindexation.

LONG TERM BUDGETS

For FY89, BCOM has recommended that roughly half of the funds originally dedicated to Special Operations be used to augment the Standard Operations Budget. It is clear from this recommendation that BCOM believes that the NSF budget target for this year is insufficient to meet the needs of the program. The implication of this decision is that the budget recommendations made by BCOM for the FY89 budget do, indeed, represent the "lean and mean" state which the program has been seeking for some time. If this were not so, BCOM would not have been willing to allow SOE funds to be transferred into the standard operating budget. There are other implications of this decision.

First and foremost is that the SOE budget level of four percent will be re-established in FY90 when the proposed budget increment supplied by NSF is +5.6%. Thus, the recommended diversion of SOE funds this year is a special, one-time event required by an insufficient budget increment for FY89.

A second and perhaps more difficult implication of the BCOM recommendation is that the increments suggested for FY91 and FY92 are insufficient for the proper continuation of a healthy program. It is clear that salary cost increases will be in the neighborhood of 4 to 6% and that inflationary increases in other costs well above 2.6% are probable for these years. Increments of 2.6% in the NSF budget target will require reductions below the "lean and mean" level to the "scrawny and sickly" level. The inevitable impact of these low, out-year increments will be a reduction in the scientific program with concomitant diminished support from the scientific community. This will lead to increased difficulty in justifying U.S. and other contributions. The long-term effect of such a scenario will be lack of interest in M.O.U renewals for the COSOD-II phase (post-FY92) and the death of the program. Even a steady state in these budgets implies a continuation of the status quo with no opportunity for real innovation. BCOM believes that the increments for FY91 and FY92 should be \$2 million or 5.6% per year for a healthy program.

Table 2 shows budget projections for ODP beyond FY89 to FY92. Estimates are based on a 4% to 5% increase in operating costs for the program. It is clear from these figures that the budget levels defined for these out-years would greatly impede the ability of ODP to develop the needed technologies necessary to address the primary goals for ODP for this time period and beyond.

Table 1.

	Sal. 88	Other 88	Tot. 88	Sal. 89	Other 89	Tot. Std.SOE-89	TOTAL
Eng. Dev.	623	559	1182	698	576	1274	1274
Dri. Ops.	487	1371	1858	506	1412	1919	2009
Tech Sup.	1343	914	2257	1397	941	2338	2338
Logistics	158	518	676	164	534	698	698
Sci. Ops.	509	260	769	493	268	761	761
Publica.	738	816	1554	768	919	1687	1687
Computer	468	277	745	487	263	750	750
Data Base	138	47	185	144	36	180	197
Curation	343	347	690	357	344	701	701
H.Q.				1036	614	1650	1650
sub.tot.				6049	5907	11958	12065
SEDCO					18396	18396	588
LDGO					1190	1190	110
Schlum.					1585	1585	93
JOI					1600	1600	13
Total Committed SOE							911
Total Uncommitted SOE							360
TOTALS						34729*	1271
							36000

* includes 103K of SOE

Table 2.

	Sal. 89	Other 89	Tot.	Std.SOE-89	Total-89	Sal. 90	Other 90	Tot.	Std.SOE-90	Total-90	Std. 91	SOE-91	Total-91	Std-92	SOE-92	Total-92
Eng. Dev.	698	576	1274		1274	732	593	1325	400	1725	1391	300	1691	1461	400	1861
Dri. Ops.	506	1413	1919	90	2009	540	1455	1996	700	2696	2096	900	2996	2200	400	2600
Tech Sup.	1397	941	2338		2338	1462	969	2432	150	2582	2553		2553	2681	150	2831
Logistics	164	534	698		698	176	550	726		726	762		762	800		800
Sci. Ops.	493	268	761		761	515	276	791		791	831		831	873		873
Publica.	768	919	1687		1687	808	947	1754		1754	1842		1842	1934		1934
Computer	487	263	750		750	509	271	780		780	819		819	860		860
Data Base	144	36	180	17	197	150	37	187		187	197		197	206		206
Curation	357	344	701	0	701	375	354	729		729	765		765	804		804
H.Q.	1036	614	1650		1650	1084	632	1716		1716	1802		1802	1892		1892
sub.tot.	6050	5908	11958	107	12065	6351	6085	12436		13686	13058		14258	13711		14661
SEDCO		18396	18396	588	18984		19533	19533		19533	20140		20140	20745		20745
LDGO		1190	1190	110	1300		1238	1238		1238	1299	100	1399	1364	200	1564
Schlum.		1585	1585	93	1678		1791	1791		1791	1878		1878	1990		1990
JOI		1600	1600	13	1613		1664	1664		1664	1747		1747	1835		1835
Total Committed SOE				911					1250			1300		1150		
Total Uncommitted SOE				360					88			155		362		
TOTALS			34729	1271	36000			36662	1338	38000	38123	1455	39578	39645	1512	41157

Inflation for: FY89 0.04
FY90 0.04
FY91 0.05
FY92 0.05

Notes to Special Operation Expenses (SOE):

FY90:

- Eng. Dev. \$400 High Speed, Top Drive Mining Coring system development
- Dri. Ops. \$700 = \$150 - two hard rock guide bases (one to be used on engineering leg)
 - \$200 - Delta cost in drilling supplies for use with hard rock guide base. NOTE: Actual delta cost for use of a HRGB is \$400.
 - \$350 - Approximately 10,000 feet of drill string replacement.
- Tech. Sup. \$150 Ship board equipment. Unprioritized order includes: physical properties lab, computer and other lab upgrades. To be prioritized by JOIDES with advise from Ship Board Measurements Panel (if created).

FY91:

- Eng. Dev. \$300 Continued development of mining system
- Dri. Ops. \$900 = \$150 - two guide bases for East Pacific Rise Drilling program.
 - \$400 - Delta cost in drilling supplies to use HRGB.
 - \$350 - Approximately 10,000 feet of drill string needed by FY91.
- LDGO \$100 Funds for high temperature and other logging tools needed for EPR drilling.

FY92:

- Eng. Dev. \$400 Continued mining system development to be used on EPR and 504B deep basement drilling.
- Dri. Ops. \$400 Delta cost for rock drilling on EPR and 504B.
- Tech. Sup. \$150 Ship board equipment upgrades.
- LDGO \$200 Funds for high temperature and other logging tools needed for EPR, 504B and other basement programs.

Notes to Budget Calculations:

FY89: budget calculated as done at the BCOM meeting this week.

FY90: Total budget taken from NSF guidelines as \$3800K. The standard operating totals (column labeled Tot. Std.) was taken as 4% higher than FY89 values. The other expenses in TAMU's budget (column labeled Other 90) was taken at 3% of FY89 values. The Salaries of FY90 were calculated as the difference from Tot. Std. and Other 90. This gives an average salary increase of 5% in the TAMU budget. Values for Schlumberger and SEDCO were taken from the budget outline given to BCOM.

FY91 and FY92: Inflation values of 5% were used from FY90 figures to get totals for LDGO, JOI and Standard Budget Levels for TAMU. Values for Schlumberger and SEDCO were taken from budget outline provided at BCOM meeting. From these total standard budget items (not including JOI budget) SOE's were calculated as 4%. This then gave a total budget number for FY91 and 92.