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**APPROVED**

**JUL 26 1976**

151 7/26/76

*Peremy (Cannon) East Damb  
Statements issued 7/26/76 11:00 AM  
Remarks issued 7/26/76  
To Archives  
7/26/76*

THE WHITE HOUSE  
WASHINGTON  
July 23, 1976

ACTION

Last Day: July 26

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

S. 586 - Coastal Zone Management Act Amendments of 1976

Attached for your consideration is S. 586, sponsored by Senator Hollings and four others.

The enrolled bill authorizes a \$1.2 billion impact assistance program for coastal energy activity and extends the scope of the Coastal Zone Management Program.

A detailed description of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill and the proposed signing statement which has been cleared by the White House Editorial Office (Smith).

RECOMMENDATION

That you sign S. 586 at Tab B.

That you approve the signing statement at Tab C.

Approve

*[Handwritten signature]*

Disapprove







EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 20 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 586 - Coastal Zone  
Management Act Amendments of 1976  
Sponsors - Sen. Hollings (D) South  
Carolina and 4 others

Last Day for Action

July 26, 1976 - Monday

Purpose

Authorizes a \$1.2 billion impact assistance program for coastal energy activity and extends the scope of the Coastal Zone Management Program.

Agency Recommendations

Office of Management and Budget	Approval (Signing Statement attached)
Department of Commerce	Approval (Signing Statement attached)
Council on Environmental Quality	Approval
Environmental Protection Agency	Approval
Civil Service Commission	Approval
Federal Energy Administration	No objection
Department of the Interior	No objection
Department of the Treasury	No objection
Department of Justice	Defers to Commerce
Department of Health, Education and Welfare	Defers to Commerce
Department of Transportation	Defers to Commerce

Discussion

Throughout both the 93rd and 94th Congresses,

various efforts have been underway to provide some form of impact aid or revenue sharing to those coastal States which will be impacted by oil and gas exploration and production on the Outer Continental Shelf (OCS). Similarly, other measures have been actively considered by the Congress to increase all States' share of revenues derived from the development of Federal minerals within their boundaries.

Last February, the Administration submitted to Congress the Federal Energy Development Impact Assistance Act to provide \$1 billion in aid for impacts from federally-owned energy resources in both coastal and inland areas. About \$100 million in planning grants and \$900 million for public facilities loans and loan guarantees were to be allocated by formula. Loans would be forgiven if there were an inability to repay.

Generally, the Administration proposal would have required that assistance be available only:

- o where needed, at the time of need, and in amounts related to the need;
- o to plan for and to provide essential public facilities; and
- o in a fashion which (a) passes the costs on to the activities generating these costs through State and local taxation; (b) maximizes State and local determination of its use, and, (c) is administratively simple.

Prior to submission of the Administration's proposal, the Senate had passed S. 586, by a 75-13 vote, which would have provided coastal zone areas with about \$3.3 billion for automatic payments (revenue sharing), \$650 million in impact aid grant and loan authority, and unlimited loan guarantee authority. On March 4, 1976, the House passed H.R. 3981, by a 370-14 vote, which provided over \$1 billion in automatic payments and impact grants and \$200 million in loan guarantees for coastal zone areas.

In addition to the excessive authorizations, especially for automatic payments, both bills contained features that were so objectionable as to make them unacceptable to the Administration. For example, automatic payments were based on oil production, and thus would not have extended timely assistance to the areas of greatest need where new OCS oil leasing is planned. Moreover, these payments could have been used for a wide range of projects at the States' discretion.

In light of these serious concerns, the Administration mounted a concerted effort during the House-Senate conference to produce an acceptable bill that would incorporate as much of the Administration's approach as possible. The key features of the bill, as now enrolled, are summarized below.

First, S. 586 extends the current Coastal Zone Management Program while expanding its requirements and authorities and creating several new categorical programs. Specifically, S. 586:

- o requires States to include in their Coastal Zone Management Programs planning processes for beach access, energy facility siting, and shoreline erosion;
- o increases Federal cost sharing for coastal zone administration grants from 66 2/3% to 80% and authorizes appropriations of \$50 million annually, fiscal years 1977-1980;
- o extends for one year authority to make program development grants, and authorizes grants for initial implementation of State programs, both with increased 80% Federal cost sharing. Appropriation authorizations are \$20 million annually, fiscal years 1977-1979;
- o requires public hearings to be held in the affected State or locality when there is a disagreement about the State's program between a Federal agency and the State;

- o creates new authority for interstate coordination grants and for research and technical assistance grants, and authorizes appropriations of \$15 million annually, fiscal years 1977-1980, with 50% Federal cost sharing;
- o authorizes the Secretary to make grants to States to acquire land for public access to beaches, to preserve islands, and to develop estuarine sanctuaries, and authorizes appropriations of \$31 million annually, fiscal years 1977-1980, with 50% Federal cost sharing;
- o authorizes appropriations for general administration expenses of \$5 million annually, fiscal years 1977-1980;
- o requires the Secretary to make a comprehensive review of all aspects of the shellfish industry and prohibits HEW from promulgating final regulations on shellfish before the review is complete; and,
- o creates: (a) an Associate Administrator for Coastal Zone Management, appointed by the President with Senate confirmation and (b) four new supergrade positions to assist in administering the program.

S. 586 goes considerably beyond what the Administration thought was necessary in extending the Coastal Zone Management Act. The Administration did not favor the new categorical grants provided in the Act or the beach access, shoreline erosion, land acquisition, and shellfish review authorities. Similarly, the bill's appropriation authorization levels (\$121 million annually for fiscal years 1977-1979 and \$101 million for 1980) are clearly higher than appropriate. Your 1977 budget includes only \$23.4 million for these programs against an existing authorization level of \$42 million.

Second, the Coastal Zone Management Act of 1972 requirement that no Federal permits or licenses affecting land or water use in the coastal zone can be granted without State concurrence that the activity is consistent with the State's Coastal Zone Management Program is expanded to cover exploration, development and production plans for OCS energy activities. This means that the consistency review is limited to major events in the OCS program rather than making individual leases and permits subject to this potentially time consuming process.

Finally, the impact assistance provisions of S. 586 divide into two parts -- a loan and loan guarantee fund, and OCS lease revenue sharing in the form of formula grants. \$800M is authorized for a ten-year revolving Coastal Energy Impact Fund for loans and loan guarantees to be allocated by formula with grants for repayment if there is an inability to repay. This is essentially the same as the Administration's proposal. Up to \$50 million in the Fund could also be used at the Secretary's discretion for:

- o planning grants for the socio-economic or environmental consequences of any new or expanded energy facility in the Coastal Zone; and,
- o grants for unavoidable environmental losses if a particular State's formula grants are insufficient.

\$400 million (\$50 million annually for eight years) is authorized for formula grants based on the following proportions of OCS activity in or adjacent to each State when measured against a nationwide base:

- (a) one-third on acres leased;
- (b) one-third on new employment related to energy activities;
- (c) one-sixth on oil production; and,
- (d) one-sixth on oil landings.



The eligible uses of these formula grants are limited to:

- o retirement of guaranteed bonds, but only if there is a showing of inability to repay (analogous to the Administration's loan forgiveness);
- o planning and provision of public facilities and services, but only if loans and loan guarantees are unavailable; and,
- o prevention or amelioration of unavoidable environmental losses, but only those which cannot be: (a) attributed to or assessed against identifiable persons or (b) paid for through other Federal programs.

Our most serious reservation concerning S. 586 deals with whether or not the Secretary has the authority to determine, prior to disbursement of funds, that the \$400 million in formula grants will be expended by the States for eligible purposes. Only if the Secretary has clear discretion can there be assurance that these grants will be used for strictly bona fide needs and only if loans and loan guarantees are unavailable.

Although the statutory language on this provision is ambiguous, both Rep. Murphy and Senator Hollings, the key House and Senate committeemen who participated in the conference, have recently advised Secretary Richardson that the Secretary does have discretion in determining when formula grants are eligible for use. Moreover, Commerce believes that the bill clearly stipulates Secretarial discretion and that this interpretation would be upheld in Court. If this view prevails, we anticipate that very little of the grant funds will be expended because of the requirement for use of the credit authorities first and the strict eligibility test for environmental grants. In any event, the formula grants are subject to the appropriation process. While we recognize the strength of Commerce's argument, we believe there is some risk in litigation, although we believe there is a better than even chance of Commerce's interpretation prevailing.

A related problem is the possible use of formula grant funds to finance public services beyond just those temporary periods when tax revenues lag behind the costs of the needed services. Here again, Commerce believes that it can prohibit by regulation such use of formula grant funds. However, we think there is some chance that Commerce's argument would not prevail in litigation. If this happens, and especially if the Secretary does not have discretion to control formula grants, this part of the program could be expanded and eventually renewed.

Finally, S. 586, as enrolled, differs from the Administration approach for providing energy impact assistance in several basic ways including:

- o a separate impact aid program for just the coastal zone rather than a comprehensive program for the entire country;
- o authorization levels in excess of the OCS portion of the Administration's program:

	<u>Administration proposal</u>	<u>S. 586</u>
Total	1.0 billion	1.2 billion
Loans/Guarantees	0.9 billion	0.8 billion
Grants	0.1 billion	0.4 billion

Note: Although the proportion of loan versus grant authority differs, the outlays for coastal zone assistance would be similar under both the Administration proposal and S. 586. This is because the Administration proposal would use repayments from coastal zone loans to provide inland areas with impact assistance.

- o provision for assistance for certain non-federally-owned energy resources and facilities, whereas the Administration's proposal was keyed to only federally-owned ones;
- o authorization of assistance for public services for only a limited time period; and,
- o use of grants rather than loans for certain environmental losses.

#### Agency views

In its enrolled bill letter, Commerce urges approval of S. 586 and concludes that the bill:

" ... has been enacted by the Congress after lengthy debate, and after extensive discussions intended to resolve certain controversial features in a manner acceptable to the Administration. It is clear from the recorded votes in the House and Senate that the compromise worked out by the Administration and the Congress has resulted in a bill which is widely supported and considered by many to be of great urgency.

"The legislation should expedite Outer Continental Shelf oil and gas production by providing Federal financial impact assistance to affected State and local communities. It would also strengthen the existing Coastal Zone Management program in a number of important ways. Taken together, the legislation will do much to resolve differences of opinion now existing between the States and the Federal government as to the burden of new coastal infrastructure required by coastal energy development. It will assist the Nation in its effort to move toward energy independence while simultaneously protecting our exceptionally valuable coastal environment.

"The Congress has substantially met the Administration's objectives in the bill. We believe it is a workable bill containing the important elements of a model program for impact assistance and represents an important step toward encouraging the rational use of our Nation's offshore energy resources."

With respect to the other agencies, several highlight various technical and substantive problems in their enrolled bill letters, however, none of the agencies see any major policy deficiencies in the enrolled bill.

On balance, we concur in Commerce's recommendation that S. 586 be approved. We view the enrolled bill as the culmination of a long and difficult series of encounters in which the Administration attempted to have its approach to OCS impact assistance adopted by Congress, and there are several reasons why it should be approved.

First, if Commerce's view on the Secretary's discretion to control the formula grant funds prevails, and there is a good chance it will, then the impact assistance provided in S. 586 generally meets the Administration's objectives and principles.

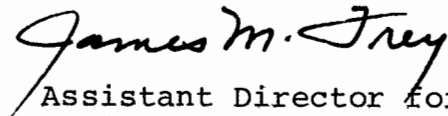
Second, given both the House and Senate votes, it would be extremely difficult to sustain a veto.

Third, if a veto were sustained, it is highly likely that a worse impact aid program will be attached to the very bad OCS leasing bill now about to pass the House and go to Conference.

And finally, this appears to be the best bill we can get from this Congress, and it removes the final credible obstacle to proceeding with OCS leasing because of State and local opposition.

With respect to the expanded scope and higher funding levels for the Coastal Zone Management Program, we note that these are only authorizations, and we will work with Commerce to appropriately control them through the budget process.

Finally, we have prepared for your consideration a signing statement which represents a revision of the one submitted by Commerce. The statement notes that in administering the Coastal Energy Impact Program, the Secretary of Commerce will authorize disbursement of the formula grants only in cases where loans and loan guarantees have already been fully used and then only for genuine needs.

  
Assistant Director for  
Legislative Reference

Enclosures

*B*



C



## STATEMENT BY THE PRESIDENT

I am pleased to sign into law today S. 586, the Coastal Zone Management Act Amendments of 1976. This legislation fills a critical need in the development of our domestic energy resources and the improved management of the Nation's valuable coastal zones.

The bill recognizes a national responsibility to assist coastal states and communities that will be affected by the accelerated exploration and production of oil and gas from the Federal outer continental shelf. It incorporates for coastal states the principal elements of the Energy Development Impact Assistance Program which I recommended to Congress in February of this year.

Specifically the bill creates a Coastal Energy Impact Program with an authorization level of \$1.2 billion over the next ten years. The principal form of the assistance will be loans and loan guarantees to assist communities in developing the additional public facilities needed to cope with the expanding population associated with new OCS and coastal dependent energy activities. In addition, Federal grants are authorized to assist states and communities in planning for these impacts, in ameliorating unavoidable environmental losses, and in providing public facilities and public services for limited time periods to the extent adequate credit under the bill is available.

The legislation has been carefully designed to insure that Federal assistance is limited to those situations where the assistance is needed and only for those specified projects or activities directly related to increased coastal energy activity. Clearly, the national taxpayer should not be asked to underwrite costs normally covered by ordinary state and local taxes; similarly, the energy industry should bear its normal tax load and the usual costs of doing business.



Under the bill, loans and loan guarantees will be provided for public facilities needed because of new or expanded coastal energy activity in recognition that such facilities would normally be financed through State and local bonding. Grants for public facilities can only be used if the Secretary of Commerce finds that the loans and loan guarantees are not available. Grants may also be used for planning and for the prevention, reduction, or amelioration of unavoidable environmental losses if the Secretary determines that the loss is not attributable to, or assessable against, any specific person and cannot be paid for through other Federal programs.

The bill also appropriately limits the extent to which the Federal Government will become involved in decisions that should be made at State and local levels. The individual states and localities will determine whether their principal need is for schools, roads, hospitals, new parks or other similar facilities. The Secretary of Commerce will have responsibilities which are limited to those areas where Federal involvement is necessary.

Prior to the disbursement of funds, the Secretary of Commerce must make certain that States which are entitled to receive loans or grants will expend or commit the proceeds in accordance with authorized purposes, and that Federal loan grants will not subsidize public services for an unreasonable length of time. The Secretary must also determine prior to the disbursement of funds that particular environmental losses cannot be attributed to identifiable persons, and that grants for public facilities are used only to the extent that loans or loan guarantee assistance is not available.

The Secretary of Commerce will act expeditiously to implement the energy development impact provisions so that we can accelerate OCS energy development to meet our Nation's energy needs in an environmentally responsible manner and to work closely with the thirty coastal States which are now participating in the Coastal Zone Management Program.

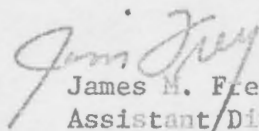
It is appropriate that this new program, established by this major innovative piece of legislation, is being signed in the first year of our Nation's Third Century. The issues of energy and our environment -- to which this bill is directed -- will surely be high on our Nation's list of priority concerns throughout the decades ahead.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

July 22, 1976

NOTE TO BOB LINDER

Attached is a revised draft signing statement on enrolled bill S. 586, "Coastal Zone Management Act Amendments of 1976", which incorporates revisions by Jim Lynn to the first draft I delivered to your office Tuesday evening, July 20.



James M. Frey  
Assistant/Director for  
Legislative Reference

Enclosure



To-  
R. Connors  
7-22-76  
11:45 a.m.



STATEMENT BY THE PRESIDENT

I am pleased to sign into law today S. 586, the Coastal Zone Management Act Amendments of 1976. This legislation is critical to the development of our domestic energy resources as well as to improved management of the Nation's valuable coastal zones.

The bill before me today is the result of more than 18 months of effort on the part of both the Congress and my Administration. It represents the kind of progress that can result when the Executive Branch and the Legislative Branch work cooperatively. I especially want to commend the Secretary of Commerce, Elliot Richardson, as well as Senators Fritz Hollings of South Carolina and Ted Stevens of Alaska, Mrs. Leonor Sullivan, Chairman of the House Merchant Marine and Fisheries Committee, and working members John Murphy and Pete DuPont, for their leadership on this issue.

In recognition of a national responsibility to assist coastal States and communities that will be affected by the accelerated exploration and production of oil and gas from the Federal outer continental shelf, this bill creates a Coastal Energy Impact Program with an authorization level of \$1.2 billion over the next ten years. The principal form of the assistance will be loans and loan guarantees to assist communities in constructing and operating the additional public facilities needed to cope with the expanding population associated with new OCS and coastal dependent energy activities. In addition, Federal grants are authorized to assist States and



communities in planning for these impacts, in ameliorating unavoidable environmental losses, and in providing, to the extent adequate credit under the bill is unavailable, public facilities and public services for limited time periods.

The legislation has been carefully designed to insure that Federal assistance is limited to those situations where and when it is needed and only for those projects or activities directly related to certain increased coastal energy activity. Clearly, the national taxpayer should not be asked to underwrite costs normally covered by ordinary State and local taxes; similarly, the energy industry should bear its normal tax load and the other usual costs of doing business, including the costs of preventing, reducing or ameliorating any environmental damage it may cause.

Under the bill, loans and loan guarantees will be provided for public facilities needed because of new or expanded coastal energy activity in recognition that such facilities would normally be financed through State and local bonding. Grants for public facilities can only be used if the Secretary finds that the loans and loan guarantees are not available. Grants can also be used for planning and for the prevention, reduction, or amelioration of unavoidable environmental losses if the Secretary determines that the loss is not attributable to, or assessable against, any specific person and cannot be paid for through other Federal programs.

The bill also appropriately limits the administrative discretion of the Federal Government. It



will be up to the States and localities to decide whether their principal need is for schools, roads, hospitals, new parks or other similar facilities.

On the other hand, the Secretary of Commerce will have authority, prior to the disbursement of funds, to determine that States entitled to receive loans or grants will expend or commit the proceeds in accordance with authorized purposes, to assure that Federal loans and grants will not subsidize public services for an unreasonable length of time, to make basic determinations that particular environmental losses cannot be attributed to identifiable persons, and to assure that grants for public facilities are used only to the extent that loan or loan guarantee assistance is not available.

I know that the Secretary of Commerce will implement the bill as expeditiously as possible so that we can accelerate OCS energy development to meet our Nation's energy needs in an environmentally responsible manner. In this regard, I am personally gratified to note that all 30 coastal States are now participating in the Coastal Zone Management Program.

It is fitting that this new program is established as one of the major innovative pieces of legislation to be signed by me in the first year of our Nation's third century. The issues dealt with in this bill -- energy and the environment -- will surely be high on our Nation's agenda throughout the decades ahead.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

To: J. Conroy  
7-20-76  
6:30 P.M.



JUL 20 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 586 - Coastal Zone Management Act Amendments of 1976  
Sponsors - Sen. Hollings (D) South Carolina and 4 others

Last Day for Action

July 26, 1976 - Monday

Purpose

Authorizes a \$1.2 billion impact assistance program for coastal energy activity and extends the scope of the Coastal Zone Management Program.

Agency Recommendations

Office of Management and Budget	Approval (Signing Statement attached)
Department of Commerce	Approval (Signing Statement attached)
Council on Environmental Quality	Approval
Environmental Protection Agency	Approval
Civil Service Commission	Approval
Federal Energy Administration	No objection
Department of the Interior	No objection
Department of the Treasury	No objection
Department of Justice	Defers to Commerce
Department of Health, Education and Welfare	Defers to Commerce
Department of Transportation	Defers to Commerce

Discussion

Throughout both the 93rd and 94th Congresses,



7/26

~~Johnston~~  
5.586



STATEMENT BY THE PRESIDENT

I am pleased to sign into law today S.586, the Coastal Zone Management Act Amendments of 1976. This legislation fills a critical need in the development of our domestic energy resources and the improved management of the Nation's valuable coastal zones.

The bill recognizes a national responsibility to assist coastal states and communities that will be affected by the accelerated exploration and production of oil and gas from the Federal outer continental shelf. <sup>①</sup> It incorporates for coastal states the principal elements of the Energy Development Impact Assistance Program which I recommended to Congress in February of this year. ]

*Roller*  
*the 11* <sup>②</sup> Specifically, the bill creates a Coastal Energy Impact Program with an authorization level of \$1.2 billion over the next ten years. The principal form of the assistance will be loans and loan guarantees to assist communities in developing the additional public facilities needed to cope with the expanding population associated with new OCS and coastal dependent energy activities. In addition, Federal grants are authorized to assist states and communities in planning for these impacts, in ameliorating unavoidable environmental losses, and in providing public facilities and public services for limited time periods to the extent adequate credit under the bill is available.

STATEMENT BY THE PRESIDENT

I am pleased to sign into law today S. 586, the Coastal Zone Management Act Amendments of 1976. This legislation fills a critical need in the development of our domestic energy resources and the improved management of the Nation's valuable coastal zones.

The bill recognizes a national responsibility to assist coastal states and communities that will be affected by the accelerated exploration and production of oil and gas from the Federal outer continental shelf. *It creates*

*bill creates* a Coastal Energy Impact Program with an authorization level of \$1.2 billion over the next ten years. The principal form of the assistance will be loans and loan guarantees to assist communities in developing the additional public facilities needed to cope with the expanding population associated with new OCS and coastal dependent energy activities. In addition, Federal grants are authorized to assist states and communities in planning for these impacts, in ameliorating unavoidable environmental losses, and in providing public facilities and public services for limited time periods to the extent adequate credit under the bill is <sup>now</sup> available. *UN* ✓

The legislation has been carefully designed to insure that Federal assistance is limited to those situations where the assistance is needed and only for those specified projects or activities directly related to increased coastal energy activity. Clearly, the national taxpayer should not be asked to underwrite costs normally covered by ordinary state and local taxes; similarly, the energy industry should bear its normal tax load and the usual costs of doing business.

Under the bill, loans and loan guarantees will be provided for public facilities needed because of new or expanded coastal energy activity in recognition that such facilities



would normally be financed through State and local bonding. Grants for public facilities can only be used if the Secretary of Commerce finds that the loans and loan guarantees are not available. Grants may also be used for planning and for the prevention, reduction, or amelioration of unavoidable environmental losses if the Secretary determines that the loss is not attributable to, or assessable against, any specific person and cannot be paid for through other Federal programs.

The bill also appropriately limits the extent to which the Federal Government will become involved in decisions that should be made at State and local levels. The individual states and localities will determine whether their principal need is for schools, roads, hospitals, new parks or other similar facilities. The Secretary of Commerce will have responsibilities which are limited to those areas where Federal involvement is necessary.

Prior to the disbursement of funds, the Secretary of Commerce must make certain that States which are entitled to receive loans or grants will expend or commit the proceeds in accordance with authorized purposes, and that Federal loan grants will not subsidize public services for an unreasonable length of time. The Secretary must also determine prior to the disbursement of funds that particular environmental losses cannot be attributed to identifiable persons, and that grants for public facilities are used only to the extent that loans or loan guarantee assistance is not available.

The Secretary of Commerce will act expeditiously to implement the energy development impact provisions so that we can accelerate OCS energy development to meet our Nation's energy needs in an environmentally responsible manner and to work closely with the thirty coastal States which are now participating in the Coastal Zone Management Program.



It is appropriate that this new program, established by this major innovative piece of legislation, is being signed in the first year of our Nation's Third Century. The issues of energy and our environment -- to which this bill is directed -- will surely be high on our Nation's list of priority concerns throughout the decades ahead.



NG

STATEMENT BY THE PRESIDENT

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The bill recognizes a national responsibility to assist coastal states and communities that will be affected by the accelerated exploration and production of oil and gas from the Federal outer continental shelf. It incorporates for coastal states the principal elements of the Energy Development Impact Assistance Program which I recommended to Congress in February of this year.

Specifically the bill creates a Coastal Energy Impact Program with an authorization level of \$1.2 billion over the next ten years. The principal form of the assistance will be loans and loan guarantees to assist communities in developing the additional public facilities needed to cope with the expanding population associated with new OCS and coastal dependent energy activities. In addition, Federal grants are authorized to assist states and communities in planning for these impacts, in ameliorating unavoidable environmental losses, and in providing public facilities and public services for limited time periods to the extent adequate credit under the bill is unavailable.

The legislation has been carefully designed to insure that Federal assistance is limited to those situations where the assistance is needed and only for those specified projects or activities directly related to increased coastal energy activity. Clearly, the national taxpayer should not be asked to underwrite costs normally covered by ordinary state and local taxes; similarly, the energy industry should bear its normal tax load and the usual costs of doing business.



signing ceremony Monday. July 26  
at 11:00am

Judy

Pls return approved package to John  
Ratchford on Sat. I will be out of town  
Judy 7/23 7:00pm

*Late*  
7/26

STATEMENT BY THE PRESIDENT

I am pleased to sign into law today S. 586, the Coastal Zone Management Act Amendments of 1976. This legislation fills a critical need in the development of our domestic energy resources and the improved management of the Nation's valuable coastal zones.

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The legislation has been carefully designed to insure that Federal assistance is limited to those situations where the assistance is needed and only for those specified projects or activities directly related to increased coastal energy activity. Clearly, the national taxpayer should not be asked

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 21

Time: 1000am

FOR ACTION:

George Humphreys  
Dennis Barnes  
Max Friedersdorf  
Ken Lazarus  
Robert Hartmann (signing statement attached)

cc (for information):

Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 22

Time: 930am

SUBJECT:

S.586-Coastal Zone Management Act Amendments  
of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy jhnston, ground floor west wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
For the President





**GENERAL COUNSEL OF THE  
DEPARTMENT OF COMMERCE**  
Washington, D.C. 20230

**JUL 16 1976**

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D.C. 20503

Attention: Assistant Director  
for Legislative Reference

Dear Mr. Lynn:

This is in response to your request for the views of this Department concerning S. 586, an Enrolled Enactment cited as the "Coastal Zone Management Act Amendments of 1976".

The bill contains two major parts. One portion of the bill amends certain existing provisions of the Coastal Zone Management Act of 1972 (the "Act"). Many of these amendments are energy-related, others are changes which are thought to be desirable in the light of the operating experience of the program since 1973. The second portion of the bill amends and supplements the Act by establishing a ten-year program of assistance to coastal States and communities impacted by Federal energy activities such as outer continental shelf oil and gas exploration and production.

With respect to the amendments to the existing provisions of the Act, the bill would amend section 305(b) to add three new elements to State programs. These would require a State to include in its program planning processes related to beach access, energy facility siting, and shoreline erosion.

The bill would increase the number of annual section 305 program development grants a State may receive from three to four and extend section 305 authority to September 30, 1979. Experience to date indicates that this extension will be necessary in many cases. It also increases from 66-2/3% to 80% the Federal funding level for grants made pursuant to sections 305 and 306 of the Act, thereby easing the financial burden on the States while retaining the requirement for substantial State contribution.



A new subsection to section 305 of the Act would allow the Secretary to give "contingent approval" to State programs, and to make grants to coastal States to allow completion and initial implementation of State management programs. States must identify remaining activities necessary and establish a reasonable time schedule for their completion. This feature would help those States which desire to commence implementation of a portion of their program without unnecessary delay.

The bill would amend section 306 of the Act to require the State coastal zone management agency to notify local governments of any decision in conflict with local zoning actions, and would allow the local government a 30-day comment period.

The bill would also amend section 307 of the Act to require that any Outer Continental Shelf activity described in detail in an exploration, development or production plan be certified by the person submitting the plan to the Secretary of the Interior to be consistent with the approved State management program. The State must concur (either presumptively or in fact) with such certification prior to approval of such plan by the Department of the Interior, thus ensuring that Federal actions do not inadvertently frustrate the achievement of Federally approved State coastal zone management goals and objectives.

Section 307 would be further amended to provide for Secretarial mediation when serious disagreement arises between a Federal agency and a State with respect to the administration of a State's program; and to require local public hearings as part of such mediation.

The bill would add a new section 309 to allow the Secretary to make grants to States and interstate entities to coordinate, study, plan, and implement unified interstate Coastal Zone Management policies.

A new section 310 in the Act would allow the Secretary to conduct a program of research, study, and training to support State management programs. The Secretary may also make grants to States to carry out research, studies and training required to support and further develop individual State programs.

A new section 315(1) of the amended Act would authorize the Secretary to make 50% matching grants to coastal States to acquire, develop and operate estuarine sanctuaries. A new section 315(2) would authorize the Secretary to make similar grants to States to acquire lands for protection of and access to beaches and public coastal areas and for preservation of islands.

Finally, The Secretary is required to undertake a comprehensive review of all aspects of the shellfish industry and related regulations and standards and submit a report to Congress by April 30, 1977. The Department of Health, Education and Welfare may not promulgate regulations concerning its national shellfish safety program before June 30, 1977. Sixty days prior to this date the Department of Health, Education and Welfare, in consultation with the Secretary, must issue an assessment of the economic impact of and a cost-benefit analysis of such regulations.

The Coastal Energy Impact Program, which is the most significant part of the Act, is contained in a new section 308. It provides six types of financial assistance to the States to be used to meet local needs arising from energy development.

Formula Grants (308(b)). These grants are based upon a formula related to oil and gas production and related employment. They may be used for the retirement of State and local bonds, and to the extent not used for that purpose, are available for planning for and carrying out of projects and programs for public facilities and services, and for unavoidable environmental losses. An important feature is that these grants can be made for public facilities and services only to the extent that loans and other sources of financing are not available under the Act. With the exception of the environmental grants, formula grants are subordinated to the credit assistance provided under section 308(d).

Planning Grants (308(c)). Grants are available on an 80% matching basis for the study of and planning for a broad range of energy facilities in the coastal zone.

Loans (308(d)(1)). Loans are authorized to States and local governments to assist in the provision of public facilities and services required as a result of coastal energy activity. Loans are to be made upon criteria which will provide reasonable assurance of repayment.

Bond Guarantees (308(d)(2)). Obligations of State and local governments, incurred for the provision of public facilities and services required as a result of coastal energy activity, may be guaranteed as to principal and interest.

Repayment Grants (308(d)(3)). If a State or local government is unable to repay loans made or guaranteed under the Act as they mature, and certain corrective measures have been taken without avail, then grants are authorized for the sole purpose of repaying the principal and interest of such loans.

Environmental Grants (308(d)(4)). To the extent funds are not available from formula grants or other Federal sources, grants are authorized for the prevention or reduction of environmental losses resulting from coastal energy activity which cannot be attributed to or assessed against any one person.

A formula, based on new employment arising from coastal energy activity and costs of public facilities and services, is to be used for apportioning the funds available for Section 308(d) [Loans, Bond Guarantees, Repayment Grants, and Environmental Grants]. A Coastal Energy Impact Fund is to be established, consisting of funds appropriated under Sections 308(c) [Planning Grants] and (d), together with repayments of loans, interest, fees, and recoveries in subrogation; and upon which the Secretary may draw as a revolving fund.

Finally, in order to be eligible for assistance under section 308, coastal States must be receiving section 305 or 306 grants or in the Secretary's view be developing a management program consistent with policies of the Coastal Zone Management Act.

The bill provides the following appropriation authorizations:

Formula grants to coastal States (308(b)).	\$50 million per annum during Fiscal Years 1977-1984.
Coastal Energy Impact Fund (308(d)).	\$800 million authorized to be appropriated to the Fund for planning grants, loans, bond guarantees, repayment grants, and

	environmental grants, of which not more than \$50 million shall be for the purpose of planning grants and repayment grants.
Coastal zone development grants (305).	\$20 million annually for Fiscal Years 1977-1979.
Coastal zone administration grants (306).	\$50 million annually for Fiscal Years 1977-1980.
Interstate coordination grants (309).	\$5 million annually for Fiscal Years 1977-1980.
Research and technical assistance (310).	\$10 million annually for Fiscal Years 1977-1980.
Acquisition of estuarine sanctuaries (315(1)).	\$6 million annually for Fiscal Years 1977-1980.
Acquisition of access to beaches and other public coastal areas (315(2)).	\$25 million annually for Fiscal Years 1977-1980.
Administration expenses.	\$5 million annually for Fiscal Years 1977-1980.

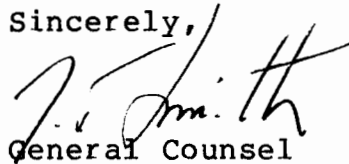
The Department of Commerce urges approval of this legislation. It has been enacted by the Congress after lengthy debate, and after extensive discussions intended to resolve certain controversial features in a manner acceptable to the Administration. It is clear from the recorded votes in the House and Senate that the compromise worked out by the Administration and the Congress has resulted in a bill which is widely supported and considered by many to be of great urgency.

The legislation should expedite Outer Continental Shelf oil and gas production by providing Federal financial impact assistance to affected State and local communities. It would also strengthen the existing Coastal Zone Management program in a number of important ways. Taken together, the legislation will do much to resolve differences of opinion now existing between the

States and the Federal government as to the burden of new coastal infrastructure required by coastal energy development. It will assist the Nation in its effort to move toward energy independence while simultaneously protecting our exceptionally valuable coastal environment.

The Congress has substantially met the Administration's objectives in the bill. We believe it is a workable bill containing the important elements of a model program for impact assistance and represents an important step toward encouraging the rational use of our Nation's offshore energy resources. In view of the wide support both within and without the Administration, it may be appropriate for the President to sign the bill into law with an appropriate ceremony. We have enclosed a draft Signing Statement for consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Smith".

General Counsel

Enclosure

President's Signing Message for S. 586

I am very pleased to sign into law today the Coastal Zone Management Act Amendments of 1976. This legislation is especially important since it involves both critical energy issues as well as the pressing matter of improved management of the Nation's valuable coastal zones.

The bill before me today is the result of more than 18 months of effort on the part of both the Congress and the Administration. It is, in fact, a good example of the kind of progress that can result when the Executive Branch and the Legislative Branch work cooperatively. I especially want to commend the Secretary of Commerce, Elliot Richardson, as well as Senators Fritz Hollings of South Carolina and Ted Stevens of Alaska, and also Mrs. Leonor Sullivan, retiring Chairman of the House Merchant Marine and Fisheries Committee, for their leadership on this issue.

This legislation recognizes a national responsibility to assist coastal States and communities that will be impacted, by the accelerated exploration and production of oil and gas from the Federal outer continental shelf.

As this Nation increases its efforts toward energy independence, additional demands are going to be placed on local communities for public facilities in a number of our coastal areas. These new demands will occur in shoreline areas which are already under heavy pressure as a result of demand for second homes, additional public and private recreational facilities, and a myriad of other uses.

This bill creates a Coastal Energy Impact Program with an authorization level of \$1.2 billion over the next ten years to assist States and local governments in dealing with the onshore impacts of offshore oil and gas and other coastal energy-related activities. This Federal financial assistance will come in the form of loans and loan guarantees to assist communities in constructing and operating the additional public facilities needed to cope with the expanding population associated with these new energy activities. Also, Federal grants will be available to States and communities to assist in improved planning to deal with these impacts, to provide remedies to ameliorate or compensate for unavoidable environmental losses, and to the extent adequate credit under the bill is unavailable, public facilities and services.



The legislation has been carefully designed in a fiscally responsible manner, to insure that Federal assistance is limited to those situations where and when it is needed and only for those projects or activities directly related to increased energy activity. Clearly, the national taxpayer should not be asked to underwrite costs normally covered by ordinary State and local taxes; similarly, the energy industry should bear its normal tax load and the other usual costs of doing business.

The legislation is basically designed to provide loans and loan guarantees for public facilities required as a result of new or expanded OCS energy activity in that such facilities would normally be financed through State and local bonding. Grants, on the other hand, will be available for projects or programs which for one reason or another cannot be financed by credit. For example, prevention, reduction or amelioration of unavoidable environmental losses are not normally related to the usual revenue collection mechanisms. However, even in this case, the Secretary will have to determine that the loss is not attributable to, or assessable against, any specific individual and cannot be paid for through other Federal programs. This

last contains an important principle: to the extent that environmental losses could have been prevented, or can be compensated for, by identifiable entities causing the pollution, they, not the Federal or State or local government, should pay for prevention or clean up. This is in accordance with the "polluter pays" principle.

The bill also appropriately limits the administrative discretion of the Federal Government. It is up to the States and localities to determine whether they wish to use funds allotted to them under the credit or grant provisions for public facilities and services or for environmental losses. It is also up to the States and localities to decide whether their principal need is for schools, roads, hospitals, or new parks. On the other hand, the Secretary of Commerce, among other functions, will have authority to determine, prior to the disbursement of funds, that States receiving grants will expend or commit the proceeds of such grants in accordance with authorized purposes, to assure that grants will not be used to provide public services for an unreasonable length of time and to make basic determinations with regard to whether or not particular environmental losses can be

attributable to identifiable persons.

Essentially, although there are differences, both the credit and grant provisions provide for formula determinations as to State entitlements followed by Federal determinations as to specific eligible purposes prior to disbursement of funds. A State will not be able to claim credit in excess of the amount to which it is entitled under the statutory formula. However, it is up to the States to design and implement the specific projects and programs involved.

It is my view that each State will have an account with the Federal Government on which it can draw for planning, needed public facilities and public services, or to prevent, ameliorate, or reduce unavoidable environmental losses. The sole role of the Federal Government will be to assure that appropriate forms of assistance will be used for appropriate purposes and that an environmental loss was in fact unavoidable. Thus the statute establishes an appropriate balance between Federal fiscal responsibility and State responsibility as to determining specific needs resulting from specific impacts.

In addition to the establishment of the Coastal Energy Impact Program, the bill also makes some very important changes to the Coastal Zone Management Act of 1972. These changes are in the form of a strengthening of the coastal zone management program and reflect the experience gained in the first three years of its implementation. I am personally gratified to note that all 30 coastal States, including the eight Great Lakes States, are now in the process of preparing coastal zone management programs under the aegis of this important program.

Returning to the energy problem for a moment, we all are aware that our largest untapped energy reserves exist in the form of coal and oil shale in our mid-continent and western States. The same kinds of environmental, economic, and social impacts that are expected in coastal communities and are dealt with in this legislation, can be expected in western communities likely to be impacted by development of these important energy supplies. I am hopeful that the general principles contained in this legislation will serve as a pattern for dealing with the coal and oil shale problem as well.

I will instruct the Secretary of Commerce to make available the financial aid contained in this bill at the earliest possible time and with an absolute minimum of Federal involvement. We need to get on with new and expanded OCS energy development to meet our nation's energy needs, and we need to do this in an environmentally responsible manner.

In conclusion, I think it very fitting that this new program is established in one of the first pieces of legislation to be signed by me in the first year of our Nation's third century. The issues dealt with in this bill -- energy, the environment, and indirectly, the economy -- will surely be high on our Nation's agenda throughout the decades ahead.

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

JUL 9 1976

Dear Mr. Frey:


The Council on Environmental Quality has reviewed the enrolled bill S. 586, entitled "The Coastal Zone Management Act Amendments of 1976."

The Amendments to the Coastal Zone Management Act would authorize and assist the Coastal States to study, plan for, manage, and control the impact of energy facility and resource development which affects the coastal zone, and for other purposes relevant to effective coastal zone management.

The Act provides for timely and equitable financial assistance for planning and management of coastal resources and for mitigation of impacts from OCS and other energy development in the coastal zone.

We fully concur with its provisions and strongly recommend that it be signed.

Sincerely,



Gary Widman  
General Counsel

Mr. James Frey  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D.C. 20503

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