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Resources, Community, and
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May 4, 1995

The Honorable Phil Gramm
Chairman, Subcommittee on Commerce,
Justice, State, the Judiciary,
and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Robert S. Walker
Chairman, Committee on Science
House of Representatives

You asked us to provide information on the status of unobligated funds held by the National Institute of Standards and Technology (NIST) for two of its major programs--the Advanced Technology Program (ATP) and the Manufacturing Extension Partnership (MEP) program. Begun in 1990, ATP makes competitive awards on a cost-sharing basis to industry for research and development (R&D) projects considered to have significant potential for improving the competitiveness of U.S. industry and stimulating economic growth. MEP, which was started in 1989, makes technology assistance available to U.S. manufacturers through nonprofit Manufacturing Extension Centers and through some State Technology Extension Centers. The funds for both programs are no-year funds--that is, there is no restriction on the time by which the funds must be obligated. However, you specifically asked whether NIST will be able to obligate all of the available funds for these two programs by the end of fiscal year 1995.

In summary, NIST estimates that ATP will award \$421 million through a series of competitions during fiscal year 1995. It is unclear whether NIST will be able to make all of the planned awards and obligate all of the funds by the end of this fiscal year, given its increased workload and the time it has taken to make awards in prior years. But even if it were able to complete these activities in fiscal year 1995, some of the award money would not be available for disbursement until fiscal year

GAO/RCED-95-166R, NIST's Unobligated Funds

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1996. Under the current MEP competition schedule, NIST will carry over \$41 million in unobligated funds at the end of fiscal year 1995. According to program officials, the earliest these funds would be obligated would be October 30, 1995.

BACKGROUND

The purpose of ATP is to assist U.S. businesses in creating and applying the generic technology and research results necessary to (1) rapidly commercialize significant new scientific discoveries and technologies and (2) refine manufacturing technologies. NIST solicits R&D proposals from U.S. businesses by announcing competitions in The Commerce Business Daily and uses an extensive multistep process to review and select proposals for awards. In particular, NIST relies heavily on outside experts to assess the technical merit of the proposals to help ensure that the selected R&D projects are the most likely to be successful. NIST also assesses whether the businesses submitting the proposals are technically and financially capable of seeing the projects through to completion. In fiscal year 1994, this review process took 101 days, after which NIST announced the award recipients. According to a NIST grant officer, NIST seeks to provide written notification to recipients within 30 days of the award announcement, thereby obligating the ATP funds. This obligation creates a commitment on the part of the government to make a disbursement at a later date. NIST begins disbursing the money after it completes a series of final clearances and other checks. This final processing took an average of 70 days in fiscal year 1994.

ATP's funding tripled from \$68 million in fiscal year 1993 to \$200 million in fiscal year 1994 and doubled to \$431 million in fiscal year 1995. ATP has about \$507 million available for obligation in fiscal year 1995: (1) \$431 million was provided as fiscal year 1995 funding, (2) \$168 million in unobligated funds was carried over because NIST did not fund enough new projects by the end of fiscal year 1994, (3) \$90 million in budget authority was recently rescinded, and (4) \$2 million was set aside for computer equipment.

MEP is intended to improve the competitiveness of U.S. manufacturing by advancing the level of manufacturing technology used by small- and medium-sized U.S.-based firms. The MEP program has awarded matching funds to nonprofit organizations for 44 Manufacturing Extension Centers that are located near concentrations of

manufacturers. NIST conducts competitions for MEP funds much as it does for ATP funds. For the most recent MEP competition, NIST took about 8 months to review the proposals and complete the final processing.

MEP's funding tripled from \$30.2 million in fiscal year 1994 to \$90.6 million in fiscal year 1995. In addition, about \$2 million in unobligated funds was carried over to fiscal year 1995.

NIST MAY NOT BE ABLE TO OBLIGATE ALL
AVAILABLE ATP FUNDS IN FISCAL YEAR 1995

NIST plans to make about twice as many ATP awards during the current round of competitions as it did during the previous round of competitions. Given its increased workload and historical processing times, NIST may not be able to make all of its planned awards and obligate all of the available funds by the end of this fiscal year. Regardless of NIST's progress, some of the money will not be disbursed until fiscal year 1996.

ATP's Workload Has Grown Dramatically

NIST has planned 12 competitions for fiscal year 1995, through which it expects to make between 150 and 200 awards totaling about \$278 million. (See the enclosure.) In contrast, NIST made only 87 awards totaling \$143 million for fiscal year 1994 competitions. These awards were announced early in fiscal year 1995. Thus, in total, NIST is scheduled to make between 237 and 287 awards totaling \$421 million by the end of this fiscal year. During fiscal years 1990 through 1993, NIST announced one ATP competition each year and obligated the funds for each of these awards in the subsequent year. To date, ATP has received final proposals for only 5 of the 12 competitions planned for fiscal year 1995. The program is currently receiving proposals for another six competitions and plans to announce the final competition by May 4, 1995.

NIST Will Have to Expedite Process

In fiscal years 1993 and 1994, NIST took an average of 253 days and 101 days, respectively, to review proposals for technical merit and select award recipients. In fiscal year 1995, however, NIST estimates that it will need only 67 days, on average, to review proposals and select award recipients for the 12 planned competitions. The length of the review phase for the 12 competitions ranges from a low of 38 days to a high of 122 days. For one competition in

which NIST plans to award \$54 million, the length of the review phase is estimated to be 50 days.

Even if NIST is able to select awardees according to its current schedule, it probably will not be able to begin disbursing the award money until near or after the end of the fiscal year, when final processing is completed. In fiscal year 1994, final processing took an average of 70 days per competition. If final processing takes 70 days this year, NIST could begin disbursing the award money for 10 competitions near the end of the fiscal year but would not begin disbursing the award money for the other 2 competitions until November 1995.

Although NIST increased its ATP staff in fiscal year 1995 to process the heavier workload more quickly, the number of awards it must make increased by a much greater percentage. In fiscal year 1994, NIST's staff of 31 full time equivalents (FTE) reviewed proposals that resulted in 87 awards. NIST increased its staff in fiscal year 1995 to an estimated 58 FTEs, an increase of 87 percent, but it must review approximately twice as many awards.

NIST WILL NOT OBLIGATE \$41 MILLION
OF MEP FUNDS IN FISCAL YEAR 1995

NIST plans to award \$41 million for the establishment of 36 new Manufacturing Extension Centers by the end of fiscal year 1995. However, given its current competition schedule, NIST will not obligate the funds for these centers until early in fiscal year 1996.

NIST plans to hold one MEP competition in the remainder of fiscal year 1995 to establish 36 new Manufacturing Extension Centers. The competition is scheduled to be announced on June 1, 1995, and proposals are to be submitted by August 1, 1995. According to program officials, the first part of the fiscal year was spent extensively educating potential applicants. Program officials estimate that NIST will select the awardees by September 30, 1995, and will notify them in writing, thereby obligating the funds, by the end of October. Final processing of the awards is estimated to be completed by the end of November 1995, at which time the funds will be available for disbursement. This schedule will result in an unobligated balance of \$41 million at the end of fiscal year 1995.

MEP officials acknowledge that the program will not begin to disburse funds until the end of November 1995. The

most recent competition took 8 months, measured from the date of announcement to the date the funds were available for disbursement. The officials said that the upcoming competition would take only about 6 months because several steps in the competition have been eliminated and MEP staff are more familiar with the competition process. Even with a 2-month reduction, however, the funds would not be available for disbursement until the end of November 1995.

SCOPE AND METHODOLOGY

To identify the status of the ATP and MEP competitions and their budgetary impact, we obtained and reviewed NIST budget information. For information about ATP, we obtained documents from and interviewed ATP officials, including the Acting Director. We also obtained information on the time and staffing needed to process the ATP awards, as well as background materials on the current competitions. We obtained data on the competitions for MEP awards and met with officials in NIST's Budget Office, including the Budget Officer and a Supervisory Budget Analyst. We also spoke with MEP officials, including the Acting Deputy Director. We conducted our work between February and May 1995 in accordance with generally accepted government auditing standards.

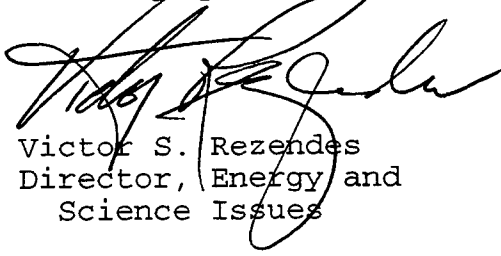
We discussed the facts presented in this report with the Acting Director of ATP and the Acting Deputy Director of MEP. These NIST officials agreed with the technical accuracy of the report.

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As agreed with your offices, unless you announce its contents earlier, we plan no further distribution of this report for 15 days. At that time, we will send copies to other congressional committees, the Secretary of Commerce, and the Director, Office of Management and Budget. We will also make copies available to others on request.

B-261218

Please contact me on (202) 512-3841 if you or your staff
have any questions.

A handwritten signature in black ink, appearing to read "Victor S. Rezendes". The signature is fluid and cursive, with a large initial "V" and "R".

Victor S. Rezendes
Director, Energy and
Science Issues

Enclosure

TENTATIVE SCHEDULE FOR FISCAL YEAR 1995
ADVANCED TECHNOLOGY PROGRAM COMPETITIONS

Dollars in millions

Competition announcement number	Announcement date	Proposal due date	Award date estimate (NIST)	Disbursement date estimate (GAO) ^a	Award estimate
95-01	12/15/94	03/01/95	07/01/95	09/09/95	\$ 26
95-02	02/02/95	04/11/95	07/01/95	09/09/95	36
95-03	03/01/95	05/09/95	07/01/95	09/09/95	14
95-04	03/01/95	05/12/95	07/01/95	09/09/95	54
95-05	02/02/95	04/26/95	07/01/95	09/09/95	14
95-06	02/02/95	04/19/95	07/01/95	09/09/95	30
95-07	02/02/95	05/03/95	07/01/95	09/09/95	14
95-08	12/21/94	03/29/95	07/01/95	09/09/95	14
95-09	02/13/95	05/31/95	07/20/95	09/28/95	19
95-10	03/29/95	06/28/95	08/28/95	11/06/95	19
95-11	03/01/95	05/24/95	07/01/95	09/09/95	19
95-12	05/04/95	07/01/95	09/01/95	11/10/95	20
Total					\$278^b

Notes: Funding estimates for each competition are contingent on the number of proposals received and accepted by ATP. NIST can reallocate funds across competitions in accordance with the quality of the proposals for each competition. NIST can fund cooperative agreements 1 year at a time or for multiple years, and some of the estimated amounts listed above assume that the research will be done and funded over several years. A \$90 million budget rescission for fiscal year 1995 was factored into these award estimates.

^aAssumes a final processing time of 70 calendar days.

^bDoes not add because of rounding.

Source: GAO's presentation of data from NIST's Budget Office.

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