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REPORT BY THE  
**Comptroller General**  
OF THE UNITED STATES

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LM106246

## **Review Of Navy's Fiscal Year 1979 Appropriation Request For Funds To Construct Trident Base Support Facilities And For Community Impact Assistance**

The House Committee on Appropriations asked GAO to review the Navy's funding request to construct Trident support facilities at Bangor, Washington.

The request for \$6.34 million of fiscal year 1979 construction funds can be reduced by \$385,000 because one project can be reduced in scope and two other projects can be cut by \$1.54 million. In addition, GAO believes that the Navy could possibly fund the remaining projects in its fiscal year 1979 request with surplus funds available from prior years.

The Navy's request for \$10.3 million in fiscal year 1979 for community impact assistance can be reduced by \$4.9 million because of cost underruns on two road construction projects and unspent funds programed for school construction, which can be deferred to future years.



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LCD-78-328  
JUNE 14, 1978



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-178056

The Honorable George H. Mahon  
Chairman, Committee on Appropriations  
House of Representatives

Dear Mr. Chairman:

As requested in your August 4, 1977, letter, this report discusses the Navy's fiscal year 1979 appropriation request to construct Trident support facilities at Bangor, Washington. It also discusses the Navy's request for community impact assistance.

At your request, we asked the Navy to furnish formal comments on this report within 15 days, but its response was not received in time to incorporate into the report. The matters covered in the report, however, were discussed with Navy and Office of Economic Adjustment officials, and their comments are included where appropriate.

As you directed, this report is being released upon its issuance to you; therefore, the requirements of section 236 are in effect.

Sincerely yours,

  
ACTING Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE CHAIRMAN,  
HOUSE COMMITTEE ON  
APPROPRIATIONS

REVIEW OF NAVY'S FISCAL YEAR  
1979 APPROPRIATION REQUEST FOR  
FUNDS TO CONSTRUCT TRIDENT BASE  
SUPPORT FACILITIES AND FOR  
COMMUNITY IMPACT ASSISTANCE

D I G E S T

The fiscal year 1979 appropriation request for the Trident military construction program includes \$6.34 million for construction of four Trident base projects and \$10.3 million for community impact assistance. GAO reviewed this funding request as well as the status of prior years' Trident base and community assistance projects.

FINDINGS AND CONCLUSIONS

Trident base support facilities

The Trident base is being constructed to support a force of 10 submarines. The first submarine was originally scheduled to arrive at Bangor by December 1978, but, as of March 1978, the Navy's best estimate for arrival was December 1980. This date is not firm and further delays may occur.

Because of this slippage, two projects, with a combined estimated cost of \$1.54 million, can be considered by the House Committee on Appropriations for deferral to a later appropriation year, without materially affecting the Trident mission.

Another project can be reduced in scope; this will reduce the fiscal year 1979 request by an additional \$385,000.

The Navy could probably fund the remaining projects in its fiscal year 1979 request with unused funds available from prior years. A comparison of total funds appropriated with current estimated costs of prior years' projects shows a \$7.7 million surplus as of January 31, 1978. The Navy said surplus funds were not available

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because of contingencies and possible contractor claims.

#### Trident community impact assistance

About \$4.9 million in prior years' section 608 community impact appropriations can be used to reduce the fiscal year 1979 appropriation request. About \$935,000 is available from cost underruns on two road construction projects, and \$4.0 million is available from unspent funds programed for school construction, which can be deferred.

The Office of Economic Adjustment's \$44 million estimate for total community impact assistance to State and local governments can be reduced by about \$9.1 million because (1) expected motor fuel and license tax revenues were not fully considered as a local funding source and (2) some road and school costs were overestimated.

The Office of Economic Adjustment has provided section 608 funding of Public Law 93-552 to pay for both the Trident and non-Trident costs of some projects even though the local Government applications for the funds identified those portions of the projects attributable to Trident. Since section 608 funds have been advanced to State and local governments to cover their share of project costs, the Office of Economic Adjustment has in effect given the State and local governments additional time to raise the revenues needed to pay their share of Trident community impact projects.

The primary problem with this type of financing is that the Federal Government will have paid more than its appropriate share of all project costs if

--later projects, which are to be totally funded with State or local government revenues, are never constructed, and

--projects' actual costs are less than originally estimated.

GAO believes controls are needed to assure that all planned Trident-related community impact projects which have been used to justify section 608 payments are constructed.

GAO recommends that the Secretary of Defense require the Office of Economic Adjustment to establish methods to ensure that Trident-related projects are constructed. One effective method, GAO believes, would be for the Office of Economic Adjustment to obtain signed agreements or "letters of understanding" with the local governments that projects funded with section 608 funds will be constructed in accordance with the agreed-upon local-Federal funding split and for the Office of Economic Adjustment to monitor the progress of these projects.

Should Trident-related projects used to justify the payment of section 608 funds not be constructed, GAO recommends that the amounts of section 608 funds that are in effect overpaid be deducted from future section 608 payments.

The Office of Economic Adjustment's estimate of \$44 million for total section 608 funding can be reduced by \$9.1 million because

- the estimate was not offset by the expected revenues,
- some projects initially planned have been canceled or reduced in scope, and
- the original estimates of funding needs for some projects were overstated.

Although this reduction does not affect the fiscal year 1979 request, the reduction should be recognized in future years' requests.

GAO recommends that the Secretary of Defense require the Office of Economic Adjustment to restudy the total section 608 funding requirements and to report to

the Appropriation Committees on the changes to be made in the funding requirements.

AGENCY COMMENTS

At the Chairman's request, GAO asked the Navy to furnish formal comments on this report within 15 days, but its response was not received in time to incorporate into the report. The matters covered in the report, however, were discussed with Navy and Office of Economic Adjustment officials, and their comments are included where appropriate.

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### ABBREVIATIONS

DOD	Department of Defense
HEW	Department of Health, Education, and Welfare
OEA	Office of Economic Adjustment

## CHAPTER 1

### INTRODUCTION

The Navy's Trident submarine base, under construction in Kitsap County, Washington, includes facilities for missile assembly, maintenance, and storage; personnel training and housing; and maintenance of the 10-ship Trident squadron. As of January 1978, the Navy estimated Trident construction will ultimately cost \$746 million. <sup>1/</sup> From fiscal years 1974 through 1978 the Congress had appropriated \$532.6 million for construction. As of January 1978, \$384.9 million has been obligated for expenditure.

Section 608 of Public Law 93-552, dated December 27, 1974, authorized the Secretary of Defense to help local governments pay for additional community services and facilities needed as a result of Trident-related population increases. Since fiscal year 1975, the Congress has appropriated \$26.6 million for community impact assistance. The Navy estimated that by 1985 the Trident work force, the local support work force, and employees' families would increase the area population by about 27,000. Local governments' facilities and services in the Trident impact area were generally recognized as inadequate for this population growth. The Department of Defense's (DOD's) estimate of section 608 funding costs is \$44 million.

The fiscal year 1979 appropriation request for the Trident military construction program includes \$6.34 million for four Trident projects and \$10.3 million for community impact assistance, as shown in the following table.

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<sup>1/</sup>This estimate does not include the estimated costs of military family housing or the Trident share for a regional naval hospital.



Trident Military Construction  
Program, Fiscal Year 1979  
Appropriation Request

<u>Project</u>	<u>Amount</u>
	(millions)
Sub Crew Refit Mess	\$ 0.84
Refit Support Facilities	0.70
Public Works Facilities	1.35
Utilities and Site Improvements	<u>3.45</u>
Total Navy Construction	6.34
DOD Community Impact Assistance (4th increment)	<u>10.30</u>
Total Fiscal 1979 Request	<u>\$16.64</u>

SCOPE OF REVIEW

As requested by the Chairman, House Committee on Appropriations, we reviewed the following factors related to the Navy's fiscal year 1979 appropriation request.

- Justification for individual projects supporting the fiscal year 1979 request.
- Cost estimates for projects supporting the request.
- Availability of prior year appropriations that could be used to fund projects supporting the request.
- Whether the funds provided have been expended as approved.
- Changes in prior year programs that the committee has not been advised of and the reasons for such changes.
- Slippage in the construction schedule that has a bearing on whether the projects supporting the request must be funded in that program.

In addition, we reviewed section 608 funding for community impact assistance.

## CHAPTER 2

### FUNDS FOR CONSTRUCTION OF

#### BASE SUPPORT FACILITIES

We reviewed the Navy's fiscal year 1979 funding request and the status of projects funded in prior years. Two projects, with estimated costs totaling \$1.54 million, could be deferred until fiscal year 1980 or later. One project could be reduced in scope, resulting in a cost reduction of \$385,000 from the fiscal year 1979 request. Considering the estimated costs for projects which could be deferred and reduced in scope, the Navy's budget request for funds to construct facilities could be reduced from \$6.34 million to \$4.42 million. Also, it appears that the remaining projects could be funded from available prior years' appropriations.

#### PROJECTS WHICH CAN BE DEFERRED

The Trident base is being constructed to support a 10-submarine force. The first submarine was originally scheduled to arrive at Bangor by December 1978. The arrival date has slipped several times, and, as of March 1978, the Navy's best estimate for that arrival was December 1980. Further delays may occur because of ship construction problems. 1/ Considering this, we believe that two projects included in the fiscal year 1979 appropriation request could be deferred without materially affecting the Trident mission. Although the Navy stated that these two projects are not crucial to its budget request, it prefers funding in fiscal year 1979 so as to conclude waterfront construction and believes some use can be made of the projects before the first submarine arrives.

#### Refit support facilities

The appropriation request includes \$700,000 to construct submarine refit support facilities which, if constructed according to schedule, will be completed before they are needed. These facilities will provide storage space for (1) submarine refit equipment, (2) Trident missile launcher maintenance equipment, and (3) a submarine ballast can repair shop.

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1/Primarily, low productivity and shortage of skilled manpower.

According to the Navy, these facilities can be built in less than a year. In April 1977 the Navy projected an October 1979 construction completion date and an occupancy date of December 1979. Based on the Navy's original schedule for this facility and on the new arrival date of the first submarine, we believe these facilities could be funded in fiscal year 1980 and still be constructed before they are needed.

Navy personnel at the submarine site stated that the October 1979 completion date for refit support facilities should remain unchanged to provide storage for equipment and supplies already arriving and to conduct practice refit operations. These are alternative, temporary uses not related to the basic requirement for which the refit facilities are intended and justified as a fiscal year 1979 funding need. For that reason, the committee could consider deferring the request to a later year without impairing the basic mission support of the submarine fleet.

#### Submarine crew refit messing facility

Using fiscal year 1979 funds, the Navy plans to build a refit messing facility, at an estimated cost of \$840,000, by January 1980 and occupy it by May 1980, 7 months before the first submarine arrives. Before the latest announced delay in the submarine arrival date, the Navy planned to occupy the mess 9 months after arrival of the first submarine.

Navy personnel at the submarine site said the facility should remain in the fiscal year 1979 budget because the additional time can be used to "shake down" the operation and to feed nonsubmarine crew personnel. Inasmuch as the Navy is also suggesting an alternative justification in this case, not related to the basic need of feeding submarine crews, the committee could consider deferring the project to a later fiscal year without impairing mission support of the fleet.

The facility was planned to seat about 200 people; considering that it was to accommodate crews from only 3 submarines (about 420 people), we believed the planned size and seating capacity was larger than necessary. After we discussed this with Navy officials, they reduced its size to seat about 100 people, which cut the estimated cost from \$1,100,000 to \$840,000--a savings of \$260,000. The Navy made this change prior to submitting its appropriation request, and the amount requested was arrived at after recognizing the change.

PORTIONS OF UTILITIES AND SITE  
IMPROVEMENTS CAN BE DELETED  
FROM BUDGET REQUEST

The Navy planned to request funds to expand electrical substation #2 and the electrical feeder lines to the Trident training facility. When we questioned the need for the expanded capacity, the Navy reexamined its power needs for the training facility and determined that that portion of its utilities and site improvement project is not necessary. Navy officials stated that the elimination of these items would reduce total project costs by \$385,000. Therefore, the Navy's fiscal year 1979 request for this project should be reduced from \$3.45 million to \$3.065 million.

PRIOR YEARS' PROJECTS

Availability of prior years' funds

The Navy could probably fund the remaining projects in its fiscal year 1979 appropriations request for the Trident base with surplus funds available from prior years. Deferring the refit support facilities and refit messing facility projects (\$1.54 million) and reducing the utilities and site improvement project by \$385,000 would reduce the Navy's 1979 fund requirements to about \$4.4 million. According to the Navy's current working estimates for prior years projects as of January 31, 1978, it has the following funds available.

	Appropriation (note a)	Current working estimate as of 1/31/78	Surplus (deficit)
FY 1974	\$112.3	\$115.5	\$(3.2)
FY 1975	99.9	97.3	2.6
FY 1976	135.0	137.4	(2.4)
FY 1977	121.3	110.1	11.2
FY 1978	<u>64.1</u>	<u>64.6</u>	<u>(.5)</u>
	<u>\$532.6</u>	<u>\$524.9</u>	<u>\$ 7.7</u>

a/Appropriated funds for community impact (\$26.6 million) are excluded.

The current working estimate is based on amounts shown in the Navy's Project Status Report as of January 31, 1978. That data was supported by detailed schedules and other information susceptible to our verification and analyses. We

adjusted the estimate in that report and added estimated costs of about \$37 million for eight projects not included in the Navy's report. Even with this increase of about \$37 million to the Navy's estimate of cost, the records still showed a surplus from prior years of \$7.7 million. When we discussed the fund surplus shown in the above table with Navy officials in April 1978, they suggested that an additional \$12.3 million should be added to their estimates for contingencies and possible claims. They had no supporting data for the \$12.3 million which we could analyze at that time.

In early April 1978 the Navy provided us working estimates as of February 28, 1978, showing that the estimated costs of approved projects exceeded prior appropriations by \$1.1 million. Again, the Navy has provided no supporting data which we could analyze and verify.

In the absence of information to support the proposed adjustments to amounts recorded in the Navy's accounts, we believe the working estimate of \$524.9 million at January 31, 1978, and related surplus of \$7.7 million should be considered the best estimate of prior year funds available as of January 31, 1978.

#### Changes to prior years' programs

We reviewed Navy data for fiscal years 1974-78 on all base construction projects for cost increases or schedule delays that may have occurred after the Navy provided such information during hearings in March 1977. Between February 28, 1977, and January 31, 1978, total estimated costs for prior years' projects decreased about 2 percent, from \$536.3 to \$524.9 million. Significant individual project changes are shown in appendix I.

Navy estimates show that completion dates for 21 projects have been extended 3 or more months since January 1977. Since all of these projects are scheduled to be completed at least 6 months prior to the estimated arrival of the first submarine, the delays should not adversely affect the Navy's timely achievement of military readiness for the Trident base.

Projects with delayed completion dates of 3 months or more are listed in appendix II.

Use of appropriated funds as approved

While reviewing project justifications, costs, and changes, we examined project status reports and contract documents, discussed the status of projects with Navy officials, and inspected construction projects underway and completed. There were no indications that funds were spent on projects not approved by the Congress.

## CHAPTER 3

### FUNDS FOR COMMUNITY IMPACT ASSISTANCE

We reviewed DOD's fiscal year 1979 funding request of \$10.3 million and the status of projects funded in prior years. About \$4.9 million of the funds appropriated in prior years can be used to reduce the fiscal year 1979 budget request because of cost underruns and premature funding of some projects.

We also reviewed DOD's \$44 million estimate of total section 608 funding needs for the entire community impact program. We found that this estimate can be reduced up to \$9.1 million because Trident-related revenues were not fully considered and some project costs were overstated. We believe that additional controls are needed to assure that the State of Washington and Kitsap County will pay their share of road costs. Background information on the community impact program and the results of our review are discussed more fully on the following pages.

#### BACKGROUND

Section 608 of Public Law 93-552 authorizes the Secretary of Defense to provide financial assistance to communities located near the Trident submarine support site at Bangor, Washington, for the costs of providing increased municipal services and facilities to the residents of such communities if the increased need for services and facilities is the direct result of constructing, installing, testing, and operating the Trident base.

Section 608 has been implemented to provide to Trident-impacted communities those sums generally representing the difference between (1) the costs of additional facilities and services needed to support the expected population growth and (2) the additional revenue expected from that growth. These costs usually occur when an abnormal population growth is expected over a relatively short time, creating a timelag between the need for additional facilities and services and an increase in revenue from the population growth to finance them.

#### Management of the program

Section 608 program management is assigned to DOD's Office of Economic Adjustment (OEA). Funding applications are

submitted by the local governments to OEA through the Federal Regional Council and the particular Federal agencies responsible for special Federal program aid for schools, roads, recreation, law enforcement, water and sewage, and other services. Each application is processed twice--once as a pre-application to determine funding eligibility and once as a final application.

After final applications are approved, project funds are provided by the Navy (after OEA's approval) through a cognizant Federal agency--such as the Department of Health, Education, and Welfare (HEW) for schools or the Department of Transportation for roads--to the local government recipient. OEA has adopted the policy that section 608 funding is to be made available only if the need for increased community services is directly Trident-related (e.g., more students or increased road traffic) and only if financial assistance provided under other Federal programs is insufficient to help eligible communities avoid unfair and excessive financial burdens in meeting the increased needs for services and facilities resulting from Trident.

Cost of the program

State and local governments estimated their total section 608 funding needs at \$51 million in fiscal year 1975 dollars. DOD has reviewed this estimate and tentatively agreed that \$44 million, also expressed in fiscal year 1975 dollars, qualifies for funding under section 608.

The amounts agreed to by DOD, the recipients, and the types of services involved are:

Estimated Community Impact Costs

<u>Type of service</u>	<u>State of Washington</u>	<u>Kitsap County</u>	<u>Jefferson County</u>	<u>Mason County</u>	<u>Total</u>
	(000 omitted)				
Planning	\$ 111	\$ 750	\$ -	\$ -	\$ 861
Water resources	70	2,400	680	104	3,254
Schools	-	8,040	427	181	8,648
Fire protection	-	1,400	96	161	1,657
Parks	-	1,890	-	-	1,890
Roads	14,900	8,300	-	-	23,200
Law and justice	378	a/2,300	54	-	a/2,732
Social and health services	-	970	-	-	970
Sewers	-	450	-	-	450
Libraries	-	350	-	-	350
Total	<u>\$15,459</u>	<u>\$26,850</u>	<u>\$1,257</u>	<u>\$446</u>	<u>\$44,012</u>

a/Includes \$1.3 million in operations and maintenance costs.



Funds were first appropriated for Trident-related community impact assistance in fiscal year 1975. Through fiscal year 1978, a total of \$26.6 million <sup>1/</sup> has been appropriated. The following table provides a breakdown by fiscal year and amount appropriated.

<u>Fiscal year</u>	<u>Amount appropriated</u>
1975	\$ 101,000
1976	7,000,000
1977	8,000,000
1978	<u>11,500,000</u>
Total	<u>\$26,601,000</u>

Appendix III identifies the types of services funded (roads, schools, etc.) and total amounts for each.

The fiscal year 1979 Budget Request for community impact assistance supports requests for:

County roads construction	\$ 3,000,000
State roads construction	6,025,000
City roads	270,000
County law enforcement personnel salaries	435,000
County parks improvements	300,000
State and county planning assistance	<u>270,000</u>
Total	<u>\$10,300,000</u>

CHANGES IN PROJECT COSTS OR TIMING CAN PROVIDE FUNDS FOR USE IN FISCAL YEAR 1979

Community impact assistance funds appropriated in prior years are available from the following projects:

Cost underruns on State Route 3--	
Anderson Hill Road to Clear Creek Road Interchange	\$ 390,000
Clear Creek Road Interchange	545,000
School construction that can be postponed	<u>4,012,000</u>
Total funds previously appropriated that can be used in 1979	<u>\$4,947,000</u>

<sup>1/</sup>In fiscal year 1975 dollars, this amount would be about \$23 million.

Cost underrun on State  
Route 3--Anderson Hill Road  
to Clear Creek Road Interchange

This project provided for constructing two additional lanes at an estimated cost of \$1.7 million. The project was totally funded from section 608 funds 1/ in fiscal year 1976. The Trident coordinator for the State of Washington's Department of Transportation told us on March 6, 1978, that the road is expected to be completed during the spring of 1978. He stated that actual costs will be about \$390,000 less than the amount originally funded. OEA officials agreed the amount of the cost underrun could be used to reduce the 1979 appropriation request, but stated that they prefer to defer any savings until all road projects are completed. Aside from this preference, we could find no reason why the funds should not be used to reduce the fiscal year 1979 request.

Cost underrun on Clear  
Creek Road Interchange

Estimated construction costs of \$1.4 million for the Clear Creek Road Interchange on State Route 3 were also wholly federally funded in fiscal year 1976--50 percent from the Defense Access Roads Program and 50 percent from section 608 funds. This project is nearly completed. The Trident coordinator for the State's Department of Transportation told us on March 6, 1978, that, as of that date, the current estimated cost for the project was \$855,475--about \$545,000 less than originally estimated. He stated that the project was complete except for some minor work on traffic signals estimated to cost \$38,010. He stated that the total estimate of costs shown above includes the costs for traffic signals.

OEA officials agreed that the amount of underrun could be used to reduce the fiscal year 1979 request but believed the amount recovered should be divided equally between the Defense Access Funds and section 608. They stated also that they prefer to delay recognition of the underrun until all road projects are completed. Since other Federal program funds should be used before application of section 608 funds, we believe the entire \$545,000 saved should be considered as

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1/Even though only 50 percent of the project's estimated cost has been determined to be the direct result of Trident, section 608 funds were provided for the entire project cost. This is discussed in more detail on page 17.

section 608 funds, and we could find no reason, aside from OEA officials' preference, why it should not be used to reduce the fiscal year 1979 appropriation.

School construction  
can be postponed

Section 608 funds were appropriated in fiscal years 1976, 1977, and 1978 to assist the Central Kitsap School District to construct school facilities for Trident enrollment increases through June 1981. Construction had not been started as of March 1, 1978.

Existing schools and those currently under construction contract are adequate for the school districts' projected enrollment at least through the 1980-81 school year. 1/ By that year the schools will have capacity for 9,194 students and an estimated enrollment of 9,112 students.

Following are several factors that could affect capacity and enrollment and further defer the need for section 608 funds.

- The arrival date of the first submarine has slipped. According to county officials, this will reduce the military dependent enrollment during 1980-81 by about 30 percent, or 631 students, included in the district's projected enrollment.
- Construction of 420 onbase housing units for military families has been deferred; the units may not be built. Whether those families will live on or off base, or in the same school district, is not known at this time. Children of these families are included in the district's projected enrollment. However, the enrollment will be reduced to the extent the families live outside the district.

Public Law 93-552, section 608(a), specifies that section 608 funds are to be made available if a community shows that such funds are necessary to avoid an unfair and excessive financial burden in meeting the demand for increased services and facilities due to Trident. Since school capacity, existing

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1/Adequate capacity is based upon square footage per student as established by the State's Superintendent of Public Instruction.

or under construction, is sufficient to meet enrollment projections at least through the school year 1980-81, the \$4.0 million appropriated for schools in the Central Kitsap School District is not needed at this time. This \$4.0 million consists of about \$2.6 million which OEA has transferred to HEW to be made available to the district and \$1.4 million which has been appropriated but has not yet been transferred to HEW. We believe the Congress, without adversely affecting the program, could require OEA to recall the \$2.6 million from HEW and make the total \$4.0 million available for other fiscal year 1979 projects.

The school district could reapply for funding in fiscal year 1980 or later to construct schools, when more space is needed.

#### CONTROLS NEEDED FOR SECTION 608 FUNDING

OEA is, in some cases, providing section 608 funding to pay for entire projects, portions of which have been determined not to be Trident-related. Recognizing that doing so is not consistent with the applications submitted to obtain the funds, communities have stated that the non-Trident portion is to be "reimbursed" by the local governments' totally funding future Trident-related projects. In our view, by going along with this approach, OEA is allowing local governments to use section 608 funds to pay for the communities' share of a project without additional local taxation or other revenue-raising measures.

As a matter of law, we believe it cannot be said that where entire projects are paid for by section 608 funds a violation of section 608 has occurred. The statute does not limit the amount of section 608 funding available to only that portion of the project to increase municipal services and facilities determined to be Trident-related. Rather, section 608 funds are available so long as the project itself is due to Trident. OEA, however, has not established the controls necessary to insure that (1) its policy of providing section 608 funds for only Trident-related increases is enforced and (2) local governments will offset the disproportionate use of section 608 funds resulting from such moneys being used to pay for the entire costs of a project where the community was to have paid, for example, 50 percent.

Therefore, improved controls are needed to assure that all Trident-related projects are built and that section 608 funds are used by local governments in accordance with their applications.

For example, Kitsap County developed a list of 12 county projects plus some residential roads that will need improvements because of the Trident submarine base. OEA agreed that \$8.3 million in section 608 funds could be used to pay the Trident-related costs of these projects. Kitsap County plans to request about \$7.6 million of section 608 funds to build Bucklin Hill Road, although only \$4 million of this project's cost has been determined to be Trident related. The county is to reimburse OEA \$3.5 million by paying all costs (both Trident- and non-Trident-related portions) of the 11 other Trident-impacted road projects. By using section 608 funds to totally finance the first project, the county expects to (1) avoid a sharp increase in the local tax burden, (2) better match tax revenues with expenditures, and (3) ease the administrative burden of parceling Federal funds to 12 projects.

There is no assurance that all 11 remaining road projects will be built or that some will not be deferred. As discussed on page 18, most work planned for a project with a \$1.5 million Trident impact is no longer needed. Most of the remaining projects are not listed in the county's 6-year construction program. Since section 608 funds are being provided for Bucklin Hill Road on the basis the county will build the 11 remaining projects, failure of the county to build these projects during the Trident impact period will result in the county's having received excess Federal funds.

In addition, because most projects' designs and plans were not yet developed, the county's road project cost estimates and section 608 funding needs are subject to change. Any reduction in actual project costs below the estimates used in the section 608 funding process will further reduce the county's entitlement.

In two other instances, section 608 funds are being used to totally fund State road projects estimated to cost \$5.1 million. Because these early projects were not among the State's high-priority projects, under State law the projects could not be funded until the higher priority projects were funded. State officials said that to provide the road improvements when needed, section 608 funds are needed to pay all construction costs of these earlier projects and the State would totally fund further Trident-affected projects.

An OEA official told us that written agreements had not been made between the Federal Government and State and county grantees requiring the grantees to (1) construct all projects on which section 608 funding entitlement is based and (2) construct the projects within the identified Trident impact period. He also said his office has not established procedures to monitor the grantees' progress in building all Trident-related projects.

TOTAL ESTIMATED SECTION 608 COMMUNITY  
IMPACT FUNDING ASSISTANCE CAN BE REDUCED

We believe that OEA's \$44 million estimate of community impact assistance can be reduced by about \$9.1 million because expected motor fuel and license tax revenues were not fully considered as a funding source and some road and school costs were overestimated. The amount of these reductions, the reasons, and the projects are identified below:

<u>Project</u>	<u>Reason for reduction</u>	<u>Amount of reduction</u> (000 omitted)
State roads - general	Fuel tax revenues not considered	\$2,441
State roads - general	License fees not considered	1,695
Kitsap County roads-general	Fuel tax revenues understated	<u>a/266</u>
State Route 3	Road section's cost overstated	850
State Route 3 & Clear Creek Road Interchange	Cost underrun	468
Kitsap County - Clear Creek Road	Project cancellation	<u>a/1,007</u>
Central Kitsap Schools	Funding needs overstated	<u>2,401</u>
Total		<u><u>\$9,128</u></u>

a/Kitsap County has estimated the Trident-related share of county road improvements at \$9.655 million but has applied for assistance amounting to only \$8.3 million. OEA has approved those projects supporting the \$8.3 million request. While the Clear Creek Road cancellation and understatement in tax revenues amounting to \$1.266 million should be considered as reductions to the \$8.3 million, the county may apply for additional assistance to offset these reductions. OEA would have to approve such additional assistance before it could be used to offset these reductions.

State motor fuel taxes should have  
offset State road construction costs

Washington State estimated that \$2.4 million in motor fuel tax revenue will be available to construct State roads in the Trident impact area. In its Trident Fiscal Impact Analysis report, dated June 1977, the State of Washington noted that

"--the expected yield from the Trident related population in motor vehicle fuel tax--can be computed as \$6,104,000. A review of the State budget shows that 60 percent of the tax funds normally collected statewide from the Motor Vehicle Fuel Tax source is allocated to operating programs and 40 percent to capital programs. Therefore, we can assume that the Trident related population will contribute \$2,441,000 toward state capital road improvement program during the study period 1975 to 1985."

However, OEA did not offset the \$2.4 million when reviewing and adjusting the State's computations. Failing to consider this revenue, OEA overestimated the State's section 608 funding needs by \$2.4 million. While the \$2.4 million is not identifiable with any specific road project, the expected revenue should have been used to reduce the \$14.9 million estimated cost of State roads that OEA believed should be funded by section 608.

State motor vehicle license revenues  
should be used to offset State road  
construction costs

Because of an oversight, Washington State failed to apply \$1.7 million in estimated vehicle license permit and fee revenue to reduce section 608 funding. These State revenues will be generated by the Trident-related population increase between 1976 and 1985 and will be used for Trident-related State road construction. OEA should therefore reduce total section 608 funding by \$1.7 million.

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OEA officials agreed that the expected revenues from fuel taxes and motor vehicle licenses, referred to above, should have been offset against the total estimate of section 608 funding requirements but disagree with the amounts.

They stated that, from State records, they have now determined that about 34 percent of these revenues should be allocated to road construction. Using average revenues for the three fiscal years ending in 1976, they stated that they have determined the expected total revenues from motor fuel taxes to be \$2.4 million and from vehicle licenses to be \$1.7 million which would provide about \$810,000 and \$580,000, respectively, for road construction. They said they would consider these revenues in their overall analysis of the State's highway program request.

Understatement of State fuel tax  
available to offset cost of county  
road construction costs

Revenues of \$266,000, available for road construction, were understated by the county in its projection of Trident-related revenues. Kitsap County uses the revenue from its share of motor vehicle fuel taxes to help finance road construction. Because the county used an estimate rather than actual tax receipts as a basis for making its 1976-85 fuel tax revenue projections, it underestimated its Trident-related motor vehicle fuel tax revenue by \$266,000. Because it did not use the proper amount, the county overstated the section 608 assistance needed. OEA and Kitsap County officials agreed with our conclusion.

Trident-related State road  
costs are overstated by OEA

Washington State's total cost estimate to improve State Route 3 from Anderson Hill Road to Clear Creek Interchange was \$1.7 million. The State estimated that 50 percent of the increased road traffic would be Trident-related and the section 608 funding share would be \$850,000. In error, OEA used \$3.4 million as the project cost estimate and concluded that 50 percent, or \$1.7 million, was the Trident-related section 608 share. OEA officials agreed that they erred in calculating the 608 funding for this project. Total section 608 funding for State roads should therefore be reduced by \$850,000.

State road project cost underruns will  
reduce future section 608 funding needs

As discussed on page 11, two Trident-related State road projects will cost about \$935,000 less than originally



estimated, 1/ reducing the State's total needs for section 608 funds by \$468,000.

The State and OEA considered 50 percent of these projects' costs as Trident-related and eligible for section 608 financing. OEA included these costs in its \$14.9 million total estimated cost for State roads to be financed with section 608 funds. Because of the lower costs, 50 percent of the \$935,000 total cost underrun, or \$468,000, should be deducted from OEA's estimate. OEA agreed with the concept but not with the amount, stating that it would have to wait for the Federal Highway Administration's final accounting of funds after the projects are completed.

#### Clear Creek Road project funding no longer needed

Kitsap County's estimated cost for Trident-related roads includes \$1.504 million to improve Clear Creek Road. Except for resurfacing, estimated to cost about \$497,000, the county no longer plans that improvement because other Federal funds were recently used for it and the proximity of the proposed State Route #3 freeway will reduce previously anticipated traffic. OEA agreed that \$1 million in section 608 funds was no longer needed for Clear Creek Road but disagreed that the county's total section 608 entitlement should be reduced by that amount.

#### Overstatement of school funding needs

Federal aid for school construction can be reduced by \$2,401,000 because estimated construction costs were overstated.

In an August 1977 report to the Congress, DOD estimated the Federal share of school construction costs at \$8,040,000 (expressed in 1975 dollars). This amount, however, was based on a fiscal year 1976 statewide average school construction cost of \$5,250 per pupil, computed by HEW's Office of Education (OE), based on data provided by the State. This figure was used by Kitsap County in its fiscal impact analysis and was also used by DOD as a 1975 figure.

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1/A two-lane addition on State Route #3 from Anderson Hill Road to Clear Creek Road Interchange and the construction of an interchange at Clear Creek Road.

The Office of Education verified that a \$4,219 per-pupil figure should be used for 1975 constant dollar school construction cost estimates. Therefore, the overstated per-pupil cost inflated section 608 funding needs by \$2,401,000, as follows:

	Section 608 share computed on basis of	
	<u>\$4,219 per pupil</u>	<u>\$5,250 per pupil</u>
Cost x 6,023 Trident-related students	\$25,411,000	\$31,621,000
Less State matching funds (61.3 percent)	(15,577,000)	a/(19,386,000)
	<u>9,834,000</u>	<u>12,235,000</u>
Less local revenues from Trident population	(1,200,000)	(1,200,000)
	<u>8,634,000</u>	<u>11,035,000</u>
Less funds provided by other Federal programs	(2,995,000)	(2,995,000)
Section 608 share	\$5,639,000	\$8,040,000 (5,639,000)
Difference--overstated cost		<u>\$2,401,000</u>

a/Kitsap County computational error--correct figure should be \$19,384,000.

OEA officials agreed that the per-pupil costs were overstated but, again, did not agree with the amount. They suggested that a per-pupil cost of \$4,630 may be more accurate but provided no support for it.

#### CONCLUSIONS AND RECOMMENDATIONS

Because of cost underruns on some projects and premature funding on others, about \$4.9 million of community impact assistance funds appropriated in prior years can be used for projects in the fiscal year 1979 request. We believe the request can be reduced by this amount without materially affecting the program objective.

OEA has totally funded road projects with section 608 funds, when only a portion of the projects were directly Trident-related. The understanding is that section 608 funds will be used to pay all costs for the initial roads needed

and the local governments will fund all costs of future Trident-affected projects. OEA has no procedures to ensure that the local governments will meet these commitments and has no controls to monitor the progress of the local governments to assure that Trident-related projects are completed.

To better protect the Government's interest, we recommend that the Secretary of Defense require OEA to establish methods to ensure that Trident-related projects are constructed. One method which we believe would be effective is for OEA to (1) obtain signed agreements, or "letters of understanding," with the local governments that Trident-related projects will be constructed and (2) monitor the progress of these projects.

Should Trident-related projects used to justify the payment of section 608 funds not be constructed, GAO recommends that the amounts of section 608 funds that are in effect overpaid be deducted from future section 608 payments.

OEA's estimate of \$44 million for total section 608 funding can be reduced by \$9.1 million because

- the estimate was not offset by the expected revenues,
- some projects initially planned have been canceled or reduced in scope, and
- the original estimates of funding needs for some projects were overstated.

Although this reduction does not affect the fiscal year 1979 request, it should be recognized in future years' requests.

In view of the above, we recommend that the Secretary of Defense require OEA to restudy the total section 608 funding requirements and to report to the Appropriations Committees on the changes to be made in the funding requirements.

PRIOR YEARS' TRIDENT FACILITY CONSTRUCTIONPROJECTS WITH ESTIMATED COST VARIANCESTHAT EXCEEDED \$500,000 OR 20 PERCENTDURING THE PERIOD 2/28/77 THROUGH 1/31/78

<u>Project title</u>	<u>Dollar increase (decrease)</u>	<u>Percentage variance</u>
Refit Pier No. 1 Explosive Handling	(705,000)	2.8
Wharf No. 1	(1,081,000)	4.6
Limited Area Guard House	587,000	25.1
Enlisted Men's Dining Facility	1,055,000	<u>a</u> /50.6
Utilities and Site Im- provements	(1,971,000)	5.2
Drydock Phase I	(2,408,000)	7.8
Delta Support Facility	(1,269,000)	25.9
Utilities and Site Im- provements	1,235,000	3.0
Ammunition Pier, Indian Island	2,342,000	17.1
Container Storage	(569,000)	<u>b</u> /33.0
Vertical Missile Package Bldg. No. 3	(562,000)	9.2
Radiographic Inspection Bldg.	(1,205,000)	22.6
Bachelor Officer Quarters	(766,000)	26.8
Public Works Facilities	1,583,000	20.2
Library	139,000	28.2
Drydock Phase II	(4,478,000)	9.2
Auto Hobby Shop	(385,000)	<u>c</u> /34.6
Navy Exchange Complex	(1,938,000)	<u>c</u> /43.8

a/Estimated cost increase to cover claim for delays and interference from another construction contractor.

b/Estimated cost decrease to reflect a low bid and subsequent contract award.

c/Estimated cost decrease due to congressional funding cuts.

Generally, the other changes in estimated costs were due to refined estimates as design or actual construction progressed and favorable bids on contracts awarded.

PRIOR YEARS' TRIDENT FACILITY CONSTRUCTION PROJECTSWITH EXTENSIONS IN ESTIMATED CONTRACTCOMPLETION DATES OF 3 MONTHS OR MOREDURING THE PERIOD 1/77 TO 1/31/78

<u>Project title</u>	<u>Months slipped</u>
Refit Pier No. 1	3
Missile Assembly Control Bldg.	3
Inert Component Processing Bldg.	4
Missile Parts Warehouse	3
Missile Assembly Bldg. No. 1	6
Nondestruct Test and Inspection Bldg.	3
Flammable Storage Bldg.	8
Fire Station	3
Public Works Facilities	a/19
Support Administration Bldg.	3
Bus Station	4
Recreation Complex	6
Theater	4
Library	4
Post Office	4
Drydock Delta Access Trestle	3
Drydock Phase II	3
Service Pier & Port Control Office	8
Base Cafeteria	5
Auto Hobby Shop	4
Navy Exchange	5

a/The Navy explained that the 19-month slippage was due to (1) substantial redesign effort required at the 90-percent design stage and (2) complex construction phasing to avoid interfering with ongoing sub base operations.

Reasons for other slippages included labor strikes, delays caused by interfacing construction work with operations of ongoing Polaris missile operations, design changes at the 100-percent design completion stage, and location change to overcome adverse public comment.

PLANNED USE OF COMMUNITYIMPACT APPROPRIATIONS, 1975-78

	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>Total</u>
Planning	\$101,000	\$ 395,000	\$ 300,000	\$ 288,000	\$ 1,084,000
Water					
Resources	-	70,000	2,185,000	250,000	2,505,000
Transporta-					
tion	-	2,842,000	1,221,000	6,140,000	10,203,000
Schools	-	3,326,000	1,946,000	1,670,000	6,942,000
Fire Protec-					
tion	-	-	726,000	550,000	1,276,000
Parks	-	-	350,000	350,000	700,000
Law and					
Justice					
(note a)	-	367,000	972,000	1,341,000	2,680,000
Social and					
Health					
Services	-	-	-	411,000	411,000
Sewers	-	-	300,000	100,000	400,000
Libraries	-	-	-	400,000	400,000
	<u>\$101,000</u>	<u>\$7,000,000</u>	<u>\$ 800,000</u>	<u>\$11,500,000</u>	<u>\$26,601,000</u>

a/Includes State and County Traffic Safety.

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