



**Resources, Community, and
Economic Development Division**

B-282974

July 30, 1999

Congressional Committees

Subject: Department of Energy: Office of Environmental Management's and Defense Programs' Fiscal Year 2000 Budget Request

This report includes information on selected portions of the Department of Energy's (DOE) fiscal year 2000 budget request. Specifically, this report discusses (1) selected projects and activities by the Office of Environmental Management in which part or all of the fiscal year 2000 budget request or budget authority from previous years is not needed and (2) our analysis of Environmental Management's and Defense Programs' carryover funds from prior years to determine if funds are available that could be used to reduce DOE's fiscal year 2000 budget request. Our review of individual projects and activities focused on the Environmental Management Program, which accounts for about one-third of the Department's budget. We examined requests for funds to support Environmental Management's privatization initiative¹ and selected construction projects and operational activities at the Hanford Site in Washington State, the Idaho National Engineering and Environmental Laboratory, the Savannah River Site in South Carolina, the Oak Ridge Site in Tennessee, and the West Valley Demonstration Project in New York State. Our review of carryover balances focused on operation and maintenance funds for both Environmental Management and Defense Programs. This report updates information we previously provided to your offices on April 13 and 14, 1999. Enclosures I and II are updated summaries of the materials used during those briefings.

Summary

We questioned about \$259 million in funding for the Environmental Management Program. (See enc. I.) Specifically, \$164 million in fiscal year 2000 funding for five privatization projects is not needed because this budget authority exceeds the contractors' expected costs during fiscal year 2000. Another \$95 million in fiscal year 2000 budget requests and funding provided in previous years is not needed for construction projects and operating activities because of various reasons, including the fact that a project's scope had been reduced but DOE plans to retain the funds for other purposes or DOE is requesting funding a year or more in advance of when the funds will be needed.

¹ DOE's privatization initiative provides financial incentives to private contractors to design, finance, construct, and operate facilities, such as waste cleanup plants, at a substantially reduced cost while maintaining an appropriate technical and financial risk/reward balance between DOE and the contractors.

Our review of the Environmental Management Program's projected carryover funds indicates that no funds would be available to offset DOE's fiscal year 2000 budget request. Rather, the Environmental Management Program is projected to have about \$58 million less than the projected goal for carryover funds at the start of fiscal year 2000. A similar situation exists for Defense Programs, where DOE is projected to have about \$101 million less than the projected goal for carryover funds at the start of fiscal year 2000. (See enc. II.)

Background

To fund the activities of DOE and other agencies, the President submits an annual budget request to the Congress. The annual appropriations provided by the Congress, along with the funds appropriated but not expended in earlier years, make up the total amount of funding available to those agencies. The fiscal year 2000 budget request for DOE totaled nearly \$18 billion, of which about one-third, or \$5.9 billion, was to fund activities within the Environmental Management Program. Environmental Management is responsible for addressing the environmental problems resulting from the production of nuclear weapons, nuclear energy activities, and energy research. Environmental Management's request of \$5.9 billion for fiscal year 2000 includes \$228 million for its privatization initiative and \$3.3 billion for the Hanford Site, the Idaho National Engineering and Environmental Laboratory, the Savannah River Site, the Oak Ridge Site, and the West Valley Demonstration Project.

Each fiscal year, DOE requests obligational authority from the Congress to meet the costs of running its programs.² Once DOE receives this authority, it obligates funds by placing orders or awarding contracts for goods and services that will require payment during the same fiscal year or in the future. Unobligated balances represent that portion of its authority that the Department has not obligated. Uncosted obligations represent the portion of DOE's authority that the Department has obligated for goods and services but for which it has not yet incurred costs. Carryover balances represent funding from prior years' budgets and consist of both unobligated balances and uncosted obligations. Some carryover balances are needed at the beginning of a fiscal year to pay for the prior years' commitments. To determine the appropriate amount of carryover balances, DOE has established carryover balance targets for the various parts of its programs.

Funding for Selected Environmental Management Activities Is Not Needed

Our review of specific projects and activities funded by Environmental Management identified about \$259 million for 14 projects that is either not needed as initially planned or will not be needed until after fiscal year 2000. This amount includes \$164 million for five privatization projects that is not needed in fiscal year 2000 because the budget authority exceeds the contractors' expected costs. An additional \$95 million for various construction projects and operating activities is not needed in fiscal year 2000 for various reasons, including the fact that a project's scope has been reduced but DOE wants to retain the funds for other purposes or DOE is requesting funding a year or more in advance of when the funds will be needed.

²Some appropriations do not restrict the time in which funds must be obligated but state that the funds are "to remain available until expended." This is generally referred to as "no-year" authority. DOE receives no-year authority for most of its activities.

Environmental Management officials generally did not agree with our characterization that the funds are not needed. For example, concerning the \$164 million request for five privatization projects, the officials said that receiving budget authority in advance of need would help to level out funding in future years and was needed to help ensure private sector investment in the projects. While retaining excess funds may help level out future funding needs, the officials were unable to demonstrate that retaining the funds would help ensure that the private sector would be more likely to invest in the projects.

Regarding the \$95 million for various construction projects and operating activities, Environmental Management officials generally said that the funds would not be needed as initially planned but were needed to (1) have an option to accelerate the work, (2) fund other requirements at the sites, or (3) avoid delays in projects in case the next year's budget authority is delayed. However, in most cases, the officials could not provide us with their plans for accelerating the work or explain how the funds would be used to meet other requirements at the sites. Also, requesting the funds as a hedge against possible delays in receiving the next year's funding, a practice called prefinancing, is specifically not allowed by DOE policy.

Environmental Management's and Defense Programs' Carryover Balances May Be Less Than Goal

On the basis of a carryover balance goal of 15 percent of total obligational authority,³ we estimate that the Environmental Management Program would need about \$867 million on hand at the beginning of fiscal year 2000 to pay for prior years' operation and maintenance commitments that will not have been completed at the end of fiscal year 1999. In contrast, we estimate that the Environmental Management Program will have about \$809 million in carryover balances at the beginning of fiscal year 2000 to use for those purposes. The \$809 million is about \$58 million less than the goal for Environmental Management's carryover balance.⁴

Using the same carryover balance goal of 15 percent of total obligational authority, we estimate that Defense Programs would need about \$588 million on hand at the beginning of fiscal year 2000 to pay for prior years' operation and maintenance commitments that will not have been completed at the end of fiscal year 1999. In contrast, we estimate that Defense Programs will have about \$487 million in carryover balances at the beginning of fiscal year 2000. The \$487 million is about \$101 million less than the goal for Defense Programs' carryover balance.

This situation largely has been the result of two factors. First, over the last several years the Congress has reduced DOE's budget request and recommended that the Department use carryover balances in lieu of new funding. The Department has complied with this recommendation and has reduced its balances. Second, both programs are projecting an increased costing rate for operation and maintenance costs for fiscal year 1999. This

³The 15-percent goal is a weighted average of the targets that DOE established in September 1998 for different components of its programs.

⁴For an analysis of fiscal year 1999 carryover balances, see Department of Energy: Office of Environmental Management's and Defense Programs' Fiscal Year 1999 Budget Requests (GAO/RCED-98-213R, July 24, 1998).

increased rate of spending means that a lower level of carryover balances relative to the goal can be expected.

Agency Comments

We provided a draft of this report to DOE for its review and comment. DOE generally disagreed with our view that funding for several of the projects was not needed. DOE also said that we did not fully adapt its target balances in our analysis of carryover balances.

Regarding our assessment that \$164 million was not needed to ensure advance funding for five privatization projects, DOE said that private sector investment is greatly enhanced when the funding is readily available to support the projects and that certainty of funding reduces the risk contractors face when seeking private capital. DOE said that its opinion is supported by the daily functioning of the financial markets. We believe that the \$164 million is not needed in fiscal year 2000 because DOE is already required to assure contractors that sufficient funding will be available each fiscal year to cover contractor costs for that year, including potential termination costs. This requirement should be adequate assurance that contractors and their investors will recoup their total investment if the contract is terminated. Therefore, we have not changed our presentation of this issue in our report.

For most of the remaining projects we reviewed, DOE generally acknowledged that most of the funds we identified were not needed in fiscal year 2000. However, DOE said that it should retain the funds because contractual and compliance commitments for these ongoing projects will continue in future years. DOE said that if the fiscal year 2000 budget for these projects is reduced, funding in future years would have to be increased above what has been requested or planned. In our view, it would be more appropriate for DOE to request these funds for the fiscal year it plans to use the funds. For fiscal year 2000, we found that DOE either (1) had not fully developed plans or schedules to use the funds and could not provide us with specific project scopes, clearly defined milestones, and tangible deliverables as DOE's own procedures require or (2) did not need or plan to obligate the funds until after fiscal year 2000. Accordingly, we continue to believe that the funds are not needed in fiscal year 2000 and can be used to offset DOE's budget request for that year.

Concerning the Nuclear Material Storage project at Savannah River, we reported that the funds were not needed for DOE's original purpose because the actinide facility subproject was suspended and DOE had proposed that the funds be reprogrammed for other uses in fiscal year 1999. At the time we conducted our review at Savannah River, this proposal had not been approved. However, because this proposal was approved in early July 1999, the funds are no longer available for other purposes, and we deleted this project from our report.

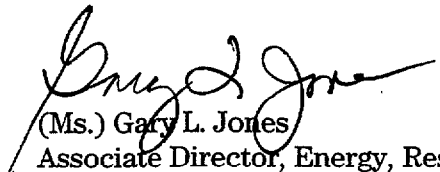
With regard to our review of carryover balances, DOE said that it disagreed with basing the 15-percent target on total obligational authority and with applying the 15-percent target to departmental averages instead of program specific averages. The issue of what base to apply the 15-percent target to has been a continuing area of disagreement between us and DOE. As we have stated in prior reports, we continue to believe that total obligational authority is the correct base to which the 15 percent should be applied because this approach provides stable goals against which to judge DOE's performance and also

accounts for DOE's potentially large unobligated balances. In contrast, under DOE's approach of applying its target to costs, as the amount of spending goes up, the carryover balance goals also go up, creating the appearance of a potential shortfall in carryover balances. With respect to the use of departmental versus program-specific averages, DOE has not developed program-specific targets; therefore, it is not possible to use anything other than Department-wide averages. We used all of the targets DOE has developed to construct our composite of 15 percent. Therefore, we have not changed our presentation of this issue in the report.

DOE also provided several technical clarifications to the report, which we incorporated as appropriate. DOE's comments are included as enclosure III.

We performed our work from January through July 1999 in accordance with generally accepted government auditing standards. See enclosure IV for details on our scope and methodology. We will send copies of this report to the appropriate congressional committees and to the Honorable Bill Richardson, the Secretary of Energy. We will also make copies available to others upon request.

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


(Ms.) Gary L. Jones
Associate Director, Energy, Resources,
and Science Issues

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Environmental Management's Funding Not Needed

Table I.1: Environmental Management's Funding Not Needed in Fiscal Year 2000

Project number	Name or task/location	FY 2000 funds requested	Funds not needed	Reason funds not needed	Agency response
Privatization projects					
97-PVT-1	Tank Waste Remediation System Privatization Phase I—Richland	\$106,000,000	\$97,000,000	Budget authority exceeds contractor's expected costs.	Additional budget authority allows the contractor to accelerate work, reduce future budget requests, and ensure private sector support and investment.
97-PVT-2	Advanced Mixed Waste Treatment—Idaho	\$110,000,000	30,000,000	Budget authority exceeds contractor's expected costs.	The Department of Energy (DOE) needs to secure budget authority early in the privatization process to ensure private sector support and investment.
97-PVT-3	Transuranic Waste Treatment—Oak Ridge	\$12,000,000	12,000,000	Budget authority exceeds contractor's expected costs.	DOE needs to secure budget authority early in the privatization process to ensure private sector support and investment.
98-PVT-2	Spent Nuclear Fuel Dry Storage—Idaho	\$5,000,000	5,000,000	Budget authority exceeds contractor's expected costs.	DOE needs to secure budget authority early in the privatization process to ensure private sector support and investment.
98-PVT-5	Environmental Management/Waste Management Disposal—Oak Ridge	\$20,000,000	20,000,000	Budget authority exceeds contractor's expected costs.	Oak Ridge said that \$14 million could be deferred to FY 2001. DOE headquarters said that DOE needs to secure budget authority early in the privatization process to ensure private sector support and investment.
Total, privatization			\$164,000,000		

ENCLOSURE I

Project number	Name or task/location	FY 2000 funds requested	Funds not needed	Reason funds not needed	Agency response
Construction projects					
94-D-407	Initial Tank Retrieval Systems—Richland	\$4,100,000	\$9,800,000	Existing budget authority is sufficient for expected costs in FY 2000.	Funds are needed (1) in case the vitrification project accelerates and additional funds are required in FY 2000 and (2) as contingency given project design uncertainties.
00-D-401	Spent Nuclear Fuel Treatment & Storage Facility—Savannah River	\$7,000,000	1,500,000	Funds are not expected to be needed through FY 2000. As of April 1999, the project underwent major changes.	Funds may be needed by the end of FY 2000, but DOE does not have a formal schedule to demonstrate how the funds would be used.
96-D-471	Chiller Retrofit—Savannah River	\$931,000	931,000	Existing budget authority is sufficient for expected spending in FY 2000.	Savannah River believes it needs the funds to avoid construction delay charges at the beginning of FY 2001. DOE headquarters said that the funds are required for new work scope approved in April 1999.
97-D-470	Regulatory Monitoring and Bioassay Lab—Savannah River	\$12,220,000	3,138,000	Existing budget authority is sufficient for expected spending in FY 2000.	Savannah River said the funds are needed for (1) possible cost increases in FY 2000 and (2) to avoid construction delays and cost increases at the beginning of FY 2001.
99-D-402	Tank Farm Support Services, F Area—Savannah River	\$3,100,000	536,000	Existing budget authority is sufficient for expected spending in FY 2000.	The funds are needed to accelerate the project by 1 month. Plans for acceleration are in development.
Total, construction			\$15,905,000		

ENCLOSURE I

Project number	Name or task/location	FY 2000 funds requested	Funds not needed	Reason funds not needed	Agency response
Operating activity					
ID-ER-106	Radioactive Waste Management Complex Remediation (OU7-10)—Idaho	\$7,000,000	\$7,000,000	Prior-year budget authority is available to meet requirements.	The funds are not needed in FY 2000 but are needed in future years to meet compliance requirements.
			64,100,000	Remaining budget authority was carried over from the Pit 9 Project for use on this activity.	Prior-year budget authority is not needed in FY 2000, but DOE needs the funds to meet future compliance requirements.
Total, operating activity			\$71,100,000		

Note: Table I.1 includes funds for projects and activities that DOE generally agrees are not required for fiscal year 2000.

Table I.2: Environmental Management's Funding Not Needed as Initially Planned

Project number	Name or task/location	FY 2000 funds requested	Funds not needed	Reason funds not needed	Agency response
88-R-830	Bethel Valley Low Level Waste Collection and Transfer—Oak Ridge	0	\$5,000,000	Budget authority was not needed at the completion of the project.	DOE plans to use \$2 million to settle a contractor claim and \$3 million to fund activities needed to meet enforceable Federal Facility Agreement milestones.
94-E-602	Bethel Valley Federal Facility Agreement Upgrades—Oak Ridge	0	3,400,000	Budget authority was not needed at the completion of the project.	DOE plans to use the budget authority to fund activities needed to meet enforceable Federal Facility Agreement milestones.
Total			\$8,400,000		

Note: Table I.2 includes funds for projects that are not needed for their original purpose but for which DOE has another purpose in mind.

Carryover Balances and Goals

Table II.1: Major Environmental Management Programs—Status of Carryover Balances for Operation and Maintenance Funds

Dollars in thousands

FY 1999 beginning balance	FY 1999 adjusted new obligational authority	FY 1999 projected costs	FY 2000 projected beginning balances	FY 2000 carryover balance goal	Amount under goal
\$883,143 ^a	\$5,744,950	\$5,819,122	\$808,971	\$867,099 ^b	\$58,128

Note: Enclosure IV describes how the values in table II.1 were derived.

^aIncludes both the uncosted balance (\$847,434) and the unobligated balance (\$35,709).

^bThe carryover balance goal is 15 percent of the total obligational authority, which equals the unobligated balance at the beginning of fiscal year 1999 (\$35,709) plus the fiscal year 1999 adjusted new obligational authority (\$5,744,950).

Table II.2: Major Defense Programs—Status of Carryover Balances for Operation and Maintenance Funds

Dollars in thousands

FY 1999 beginning balance	FY 1999 adjusted new obligational authority	FY 1999 projected costs	FY 2000 projected beginning balances	FY 2000 carryover balance goal	Amount under goal
\$503,692 ^a	\$3,897,240	\$3,914,385	\$486,547	\$587,724 ^b	\$101,177

Note: Enclosure IV describes how the values in table II.2 were derived.

^aIncludes both the uncosted balance (\$482,772) and the unobligated balance (\$20,920).

^bThe carryover balance goal is 15 percent of the total obligational authority, which equals the unobligated balance at the beginning of fiscal year 1999 (\$20,920) plus the fiscal year 1999 adjusted new obligational authority (\$3,897,240)

Comments From the Department of Energy



Department of Energy

Washington, DC 20585

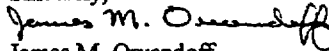
July 6, 1999

Ms. Gary Jones
Associate Director
Energy, Resources, & Sciences Issues
General Accounting Office, Rm 2T23
441 I Street, NW
Washington, D.C. 20548

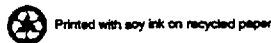
Dear Ms. Jones:

The Department of Energy appreciates the opportunity to review and comment on the General Accounting Office draft report GAO/RCED-99-230R, entitled "Fiscal Year 2000 Budget Requests for Selected DOE programs."

Comments on the report are enclosed for your consideration in preparing the final report.

Sincerely,

James M. Owendoff
Acting Assistant Secretary for
Environmental Management

Enclosure



**U.S. Department of Energy
Comments on the General Accounting Office Report Entitled
"Fiscal Year 2000 Budget Requests for Selected DOE Programs"
GAO/RCED-99-230R**

Specific Comments

1. **Page 5. GAO states that EM was unable to demonstrate that retention of \$164 million related to five privatization contracts "would help ensure that the private sector would be more likely to invest in the projects."**

The Department believes that private sector investment in the projects selected for privatization is greatly enhanced when the requisite funding is readily available to support the project. Certainty of funding provides the Department and the contractor with increased leverage and risk reduction capability when the contractor enters the private sector financial market to obtain capitalization for the project. This view is clearly supported by the daily functioning of a wide variety of financial markets.

The Department continues to closely examine its use of funds across the complex and utilize funds not immediately required to fund unforeseen workscope or fund workscope which costs more than originally anticipated. In many instances our actual budget requests, as agreed to with the Congress, are offset by balances available from prior years. For example, concerning Project Number ID-ER-106, "Radioactive Waste Management Complex Remediation (OU7-10)--Idaho," DOE plans to use \$43M of Pit 9 carryover funds in FY 2000 to maintain a stable Idaho funding target to meet the Idaho Settlement Agreement. DOE agrees that the subject funds are not required to meet FY 2000 contractual commitments; however, these funds are absolutely necessary to continue contractual and compliance commitments for FYs 2001 and 2002. Current out-year funding targets for EM reflect stable funding; to delete these funds from the FY 2000 request will require increases in the out-years to maintain contractual and compliance commitments.

GAO states that "Also, holding the funds as a hedge against possible delays in receiving the next year's funding, a practice called pre-financing, is specifically not allowed by DOE policy" in reference to several of the Savannah River projects(see page 9 of draft report). The DOE policy on pre-financing is that there will not be a conscious effort to provide for pre-financing when determining funding requirements for a project. DOE does not believe that has occurred and does not consider it pre-financing when current year costs are less than originally projected and those funds are then utilized for legitimate cost and workscope for the same project. Further, all four Savannah River projects are ongoing and uncompleted projects. Funding for each project has been included in both the FY2000 Congressional Request and the FY2001 Corporate Review Budget. The GAO took the position that if projected cost through FY 2000 was less than the amount appropriated to date and requested in the FY 2000 request, the excess was not needed. However, the funds are needed to complete "approved-to-go" project work scope and to cover firm

legally binding commitments (encumbrances).

Finally, as GAO indicates the EM program is below the target threshold for uncosted balances and those balances that are available will be needed. The Department has continued to agree with the GAO position regarding the uncosted obligational balances, however the Department also believes that the impact of prior cuts and offsets is having an impact the Department's ability to ensure continuity of operations.

2. **Page 8. Table I.1 Project Number 97-PVT-3**

Currently there is a generic response noted for this project in the agency response column that is inaccurate and should be revised. The Department's Oak Ridge Operation Office plans to obligate total project funds in December 2000 in compliance with the contract, and, therefore \$20,000,000 will be required in FY 2000.

3. **Page 9. Table I.1 are the following four SR projects:**

00-D-401	Spent Nuclear Fuel Treatment & Storage Facility
96-D-471	Chiller Retrofit
97-D-470	Regulatory Monitoring and Bioassay Lab
99-D-402	Tank Farm Support Services, F Area

The Department does not agree with the GAO finding. All four of the Savannah River (SR) projects are ongoing and uncompleted projects. Funding for each project has been included in the FY 2000 Congressional Request and additional funding will be required in FY 2001. The GAO took the position that if projected cost through FY 2000 was less than the amount appropriated to date and requested in the FY 2000 request, the excess was not needed. However, the funds are needed to complete "approved-to-go" project work scope and to cover firm binding commitments (encumbrances). If the FY 2000 budget were reduced by the amounts reflected, funding in FY 2001 would have to be increased.

4. **Page 11. Table I.2 is the following SR project: 97-D-450 Nuclear Material Storage**

The Department does not agree with the finding. Although this project was suspended in FY 1999, the associated funds (identified as "not needed" in the GAO draft report) were utilized as a FY 1999 reprogramming source to support other critical SR work scope. We request that this information be included in the agency response column to avoid a perception that these funds are available to offset the FY 2000 Congressional Request.

5. **Page 15.**

GAO has not fully adapted DOE targets to their analysis. GAO indicates in the "Scope and Methodology" section (enclosure IV) that they have had to "...adapt DOE targets.." to their analysis. As GAO noted in their report, the DOE Office of Chief Financial Officer

ENCLOSURE III

did work with GAO to find an approach which would consider the more specific targets used by DOE for different types of funding. While we were able to agree on a methodology and a reasonable composite goal for this year's review (15%) which would recognize that specific types of funding should be treated differently, the *15% does not represent a complete adaptation of DOE's targets*. This is because: a) DOE targets are against a Total Available to Cost (TAC) base while the GAO targets are applied to Total Obligational Authority (TOA); and, b) the 15% composite is based on Departmental averages versus program specific averages.

While we understand GAO's need for one composite percentage which can be used as a "*general*" goal for the analysis of multiple programs, we want to stress that using a composite percentage based on a weighted average does not fully adapt DOE targets.

Scope and Methodology

To identify the fiscal year 2000 budget request for Environmental Management funds that are not needed, we examined requests for funds to support Environmental Management's privatization initiative and specific construction projects and operating activities at the Hanford Site in Washington State, the Idaho National Engineering and Environmental Laboratory, the Savannah River Site in South Carolina, the Oak Ridge Site in Tennessee, and the West Valley Demonstration Project located in New York State and managed by the Department of Energy's (DOE) Ohio Operations Office. To conduct our review of individual privatization and other projects and activities, we reviewed program guidelines, budget request justifications, project plans and cost estimates, and other pertinent documents related to the projects and activities. We also interviewed the field managers for the projects and activities.

To identify carryover balances that may be available to reduce the fiscal year 2000 budget request, we estimated potentially available carryover balances for both Environmental Management's and Defense Programs' operations and maintenance activities. To estimate the amount of potentially available operating fund balances for these programs at the beginning of fiscal year 2000, we (1) projected their carryover balances at the beginning of fiscal year 2000, (2) calculated a carryover balance goal for each program, and (3) analyzed the difference between the goals and the projections.

We developed our projected carryover balances for these programs by adding carryover balances at the beginning of fiscal year 1999 to new funding in fiscal year 1999. We then obtained fiscal year 1999 cost estimates from the programs and compared them with cost estimates we had made to satisfy ourselves that they were reasonable. We then subtracted the programs' fiscal year 1999 cost estimates from the total resources available to arrive at the projected carryover balances for the beginning of fiscal year 2000.

To develop the minimum level of carryover balances needed to meet each program's requirements, we calculated the carryover balances needed to meet a goal of 15 percent for operations and maintenance activities. The 15-percent goal is a weighted average of the targets that DOE established in September 1998 for the different components of its programs. In commenting on our analysis of carryover balances last year, DOE was concerned about how we combined the targets for operations and maintenance and capital equipment into one percentage, noting that it analyzes each area separately. In its September 1998 policy, DOE also sets separate targets for its nonintegrated contractors and the subcontractors to its management contractors that we also had not included in our analysis. As we reported in July 1998, we have had to adapt DOE's targets to our analysis. We have had to do this because we are (1) using total obligational authority as our base and (2) projecting total costs for the coming year. For these two items, a detailed breakout of the different components—for example, operating costs or capital equipment—does not exist. To address this concern, we proposed using data from the prior year to develop a weighting system that would then be used to weight the targets for the various areas to arrive at a composite goal. We discussed this approach with analysts in DOE's Office of the Chief Financial Officer, who agreed that our methodology and the 15-percent goal that resulted were reasonable. To determine the amount of carryover balances potentially available or if a shortfall in carryover balances existed, we then compared the goal amount for fiscal year 2000 with the projected carryover balances.

ENCLOSURE IV

We adjusted our approach, where possible, to reflect individual program characteristics that would affect the amount of carryover balances needed to meet the program's unique requirements. For example, we treated Environmental Management's privatization projects in the same way that we treat other line-item construction projects for our analysis because they involve the construction of waste treatment facilities by private companies. Specifically, we included the privatization projects with Environmental Management's construction line items and reviewed them separately.

GAO Contacts and Staff Acknowledgments

GAO Contact (Ms.) Gary Jones, (202) 512-3841

Acknowledgments In addition to the person named above, Margaret Armen, Chris Abraham, Gene Barnes, John Cass, Dwayne Curry, Carolyn McGowan, James Noel, Tom Perry, and Bill Swick make key contributions to this report.

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